



New England
Foundation
for the Arts

New England's Creative Economy: The Non-Profit Sector: 2000

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**New England Foundation for the Arts
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New England's Creative Economy: The Non-Profit Sector, 2000

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Foreword

M. Christine Dwyer, Acting Chair, NEFA Research & Learning Steering Committee

This report marks the beginning of a new era in building a collective understanding of the condition of New England's cultural infrastructure and its contribution to the region's economic health and competitiveness. The New England Foundation for the Arts (NEFA) has long served a leadership role for the region through developing new resources and tools for understanding the role of cultural institutions in community life, and building a broad coalition of organizations committed to well-grounded cultural policy. A few examples of the Foundation's path-breaking work:

- NEFA developed one of the first major economic impact analyses of non-profit cultural organizations in the U.S. (1978).
- NEFA supported the first non-profit cultural economic analysis to draw directly upon Internal Revenue Service data (1996).
- NEFA played a key role in stimulating the Creative Economy Initiative – the first regional research initiative to provide a comprehensive analysis of the economic contributions of the commercial and non-profit cultural sector as a single economic cluster (2000).

These efforts have been the direct result of the Foundation's long-term collaboration with six state arts agency partners – the Connecticut Commission on the Arts, the Maine Arts Commission, the Massachusetts Cultural Council, the New Hampshire State Council on the Arts, the Rhode Island State Council on the Arts, and the Vermont Arts Council. NEFA and its partners have now made a major new commitment to further develop the infrastructure required to support comprehensive and objective research and analysis of the cultural sector in the region on a regular and timely annual basis.

Most sectors of U.S. society have developed reliable mechanisms for providing comparable long-term information on a broad range of issues, but policymakers interested in culture have been forced to rely on infrequent and incomplete information. Quantitative analyses of the financial status of cultural institutions by necessity have drawn upon partial lists of cultural organizations. At the least, the resulting analyses have been useful for advocacy by demonstrating a portion of the economic contribution made by cultural activity, but they have provided an insufficient basis for informing rational public policy. The results are rarely comparable from one study to another because they have not been built upon a common base. Our understanding of long-term trends in the sector, such as the financial stability of cultural institutions in a changing economic environment or the long-term results of public investments in our

cultural infrastructure, depends more on anecdote and example than on comprehensive and comparable longitudinal data. Moreover, available data have been typically confined to information about the nonprofit sector, omitting the major economic contributions of for profit enterprises and individuals such as artists. NEFA's new efforts are designed to address these historical limitations in data on the cultural sector.

In recent years, there has been considerable interest and limited investment on a national level for improving data resources on the cultural sector. Technological advances that have begun to reach beyond larger cultural organizations have improved the prospects for collecting and disseminating reliable data. Important work by national institutions including the Urban Institute's National Center for Charitable Statistics has contributed significantly to the base of public data now available on non-profit organizations. Recognizing that the time was right for a regional infrastructure that could effectively collect, analyze, and disseminate information on the cultural sector, NEFA and its partners began working together through the Creative Economy initiative to design such an apparatus.

NEFA has developed a regional cultural database that will provide a comprehensive and continually updated listing of cultural organizations and enterprises in the region. In the first phase of development, work on this database has focused on the not-for-profit sector, but over time it will expand to include commercial organizations and individual artist activity as well. By providing a comparable universe of cultural organizations for analysis, the regional database will allow the development of reliable longitudinal analyses to provide objective information on key trends in the field.

The second component of this effort is annual data updating and/or collection on cultural organizations, and collating this information with key sources of public information about organizations. The current study marks the first use of the World Wide Web for data collection about cultural organizations on a regional basis. Through a data sharing agreement with the National Center for Charitable Statistics, data supplied by organizations has been collated with information reported by larger non-profits on their annual IRS Form 990 statements. Another component of this data infrastructure will be the systematic annual analysis of public datasets issued by the U.S. Department of Commerce, the U.S. Census Bureau, the U.S. Department of Labor, and other government sources.

Products based on the new infrastructure will be a series of annual analyses on the non-profit and commercial sectors of the creative economic cluster in the region. This report is the first in a series. The non-profit report series aims to be a comprehensive summary of the financial status of that sector within the recent past. It will be followed later this year by a creative cluster report that will provide an analysis of current conditions in the commercial and non-profit sectors based on available secondary data.

With the establishment of this annual report series, we will be able to provide accurate and timely information about short- and long-term trends in the financial status of a range of cultural organizations throughout New England. Given the financial concerns of states in our region, there is certainly a pressing need for such accurate and comprehensive information about the cultural sector. The regional data infrastructure developed by NEFA and its partners will be an important resource for local and state leaders as they craft public cultural policy designed to strengthen the region's creative capital in the face of economic challenges.

For all of these reasons, we are pleased to present this report to the public.

Acknowledgments

The authors would like to thank the many individuals who have assisted with this study. First, we would like to thank Sam Miller, Executive Director of the New England Foundation for the Arts, for his steadfast support and vision for building a new base of knowledge on the arts in New England. Thanks to all of NEFA's able staff, especially those who assisted directly with the research and preparation of this study: Aria Goldenbaum, Communications Manager; Jessica Bleiman, Coordinator, Research & Learning; Abigail Baisas, Administrative Assistant. Thanks also to Laura Paul, NEFA's Chief Financial Officer; Rebecca Blunk, Deputy Director/Director of Programs; Bill Hewitt, Technology Coordinator; Toni Hsu, Assistant to the Director; and Judilee Reed, Development Manager.

We would like to thank the Executive Directors of New England's state arts agencies and their staffs for their support and guidance. Thanks to Alexander Aldrich, Executive Director, Vermont Arts Council; Doug Evans, Executive Director of the Connecticut Commission on the Arts; Mary Kelley, Executive Director of the Massachusetts Cultural Council; Rebecca Lawrence, Director of the New Hampshire State Council on the Arts; Randall Rosenbaum, Executive Director of the Rhode Island State Council on the Arts; and Alden Wilson, Director of the Maine Arts Commission.

With unfailing generosity, Chris Dwyer, President of RMC Research, and longtime chair of NEFA's Connections Fund Committee and Research and Learning Committee, has offered her expertise and insight throughout the process of developing a new model for developing information and examining the cultural economy in New England.

Anita Lauricella has been another key individual in this process. As Director of Business Development and Planning at NEFA, she played a central role in the design of the Creative Economy Initiative and the development of the initiative's June 2000 research report. Anita provided major assistance to Doug and Greg in the design of the data collection strategy for this study.

We would also like to thank Kelly Barsdate, Director of Policy, Research, and Evaluation at the National Assembly of State Arts Agencies and Thomas Pollack, the Assistant Director of the National Center for Charitable Statistics, who have contributed to discussions surrounding the development of the New England Cultural Database, and who continue to collaborate with this effort in support of the national Unified Database of Arts Organizations.

We owe a special debt of gratitude to Tom Pollack and his able staff at NCCS, in particular Kendall Golladay and Pho Palmer, for providing access to information in the

NCCS/Guidestar Digitized Form 990 database. We have benefited greatly from Tom's depth of knowledge and generous spirit.

We have been guided in the work for this study and development of the New England Cultural Database by the members of the regional database working group: Alex Aldrich, Elaine Dufresne, Chris Dwyer, Mary Kelley, Garret Kimberly, Charlie McDermott, Randy Rosenbaum, and Alden Wilson

Finally, we would also to acknowledge the regional leadership role taken by the New England Council in advancing knowledge on the cultural industry through the Creative Economy Initiative. The important work of the initiative continues through the Creative Economy Council, which is advancing the role of the creative industries in the region. A special thanks for the ongoing assistance of Garrett Kimberly, Project Manager for the Creative Economy Council, who plays a key role in moving this work forward.

Executive Summary

This report is the result of a comprehensive survey of the region's non-profit arts and cultural organizations, conducted with the guidance and sponsorship of the New England Foundation for the Arts, with financial and staff support from the Connecticut Commission on the Arts, the Maine Arts Commission, the Massachusetts Cultural Council, the New Hampshire State Council on the Arts, the Rhode Island State Council on the Arts, and the Vermont Arts Council. A total of 13,036 organizations were identified using a newly developed database that draws from Internal Revenue Service and other records. Of these, information on total income and net assets for 4,907 of these organizations was obtained from public information made available by the IRS through its Business Master File, from IRS Form 990 returns released to the Urban Institute's National Center for Charitable Statistics, and from our direct survey. We would like to express our gratitude to the National Center for Charitable Statistics for making this digitized Form 990 data available to us.

This report focuses exclusively on the non-profit segment of the Creative Economy Cluster, as identified in the 2000 report issued by the New England Council, *The Creative Economy Initiative: The Role of the Arts and Culture in New England's Economic Competitiveness*. That report included the findings from our study, *Arts, Cultural, and Humanities Organizations in the New England Economy, 1996*, for its findings on the non-profit segment of the cluster. This current report is analogous to our non-profit report, but it marks the first issue of a series of annual reports on the state of the Creative Cluster in New England. Later this year the New England Foundation for the Arts will issue a companion report that provides a snapshot of the state of the Creative Cluster as a whole in 2002. These two reports will be issued thereafter on an annual basis.

In the current study, more detailed financial data were available for those non-profit organizations that filed Form 990 returns and/or responded to our survey – a total of 2,918. Data on employment, admissions, and taxes paid/collected were obtained from the organizations completing our online survey, a total of 618. Based on this “universe” of all non-profit cultural organizations in New England, the information derived from this survey was used to make projections from all three data sources.

In the jargon of economics, a group of organizations selling an identical or similar product is called an industry. Though we don't often think of groups of similar non-profit organizations as an industry, they nonetheless perform the same basic functions as for-profit firms. In addition, they are important to society in other, diverse ways. Without a doubt, the main contribution of arts and cultural organizations to our region, and to the nation as a whole, is their role in educating us, elevating our spirits, and enriching our

lives. New England is singularly blessed with both diversity and quality in its arts and cultural organizations, ranging from small historical societies and house museums, to nationally and internationally recognized crafts organizations, theater troupes, musical organizations, dance companies, major museums, and performing arts festivals

As this study makes clear, it is also worthwhile to consider the economic contributions of the non-profit arts and culture industry – the total amount people pay to see a performance or event (or the benefits derived from free admission), the total income and spending these organizations contribute to the economy, the number of persons they employ, and the tax revenues and economic impact they create.

In the summary that follows, all data refer to the 2000 calendar or fiscal year of these organizations. This time lag is required by the character of the data employed to construct this study, and has been a factor in all previous studies (the 2000 Creative Economy Initiative report, for example, referred to data collected in 1996 and 1997). For this reason, not all of the findings in this study will reflect current economic realities. The companion report, issued later this year, will address this time lag by assessing the current status of the industry based on currently available data.

Number of Cultural Organizations

As the region grows both in terms of population and wealth, a greater demand for art and culture is created. Spending on art and culture tends to be sensitive to both income and educational attainment, and the New England region is blessed with the most educated labor force in the country, and above-average income levels, including states ranked first, third, and ninth in per capita income in 2002.

One response to the increased demand is for existing organizations to grow and increase the number and content of performances and exhibitions, another is for new cultural organizations to be established and develop. Although some of the changes in number of organizations identified per state reflect revisions in our identification and record-keeping process, the growth in the overall number of organizations. A total of non-profit 13,036 organizations were identified in New England in 2000.

REPORTED NUMBER OF CULTURAL ORGANIZATIONS, 2000					
Connecticut	Maine	Massachusetts	New Hampshire	Rhode Island	Vermont
2,233	1,284	6,225	1,140	848	1,306

Income

A critical way in which non-profit organizations differ from their for-profit counterparts is the sources of their income. Generally, non-profits, in return for exemption from taxation and in recognition of the public's trust in their missions, receive some portion of their income from grants and donations. This is distinguished from earned income (e.g., from admissions and subscriptions, tuition, concession sales, etc.) and endowment income.

New England's non-profit cultural organizations received \$4.215 billion in income from all sources in 2000. Of this amount, \$2.238 billion were earned, \$1.439 billion were from foundation, corporate, and individual donations, \$538 million were from federal, state, and local government donations. On average, 18 percent of this income was received from out-of-state sources.

INCOME OF CULTURAL ORGANIZATIONS, 2000 (millions of \$)					
Connecticut	Maine	Massachusetts	New Hampshire	Rhode Island	Vermont
\$845.2	\$179.0	\$2,647.0	\$108.9	\$282.7	\$152.1

Spending

Like organizations in the for-profit sector, non-profit arts and cultural organizations purchase goods and services, employ a staff, and contract for outside services. This spending creates income and employment not only for those working directly for the arts and cultural organizations themselves, but for the organizations that sell goods and services to them. This further economic impact is discussed more fully below.

Direct spending by the region's non-profit arts and cultural organizations totaled \$3.766 billion in 2000. Of this amount, \$1.503 billion were for salaries, and \$2.263 billion were for other operating expenses.

SPENDING BY CULTURAL ORGANIZATIONS, 2000 (millions of \$)					
Connecticut	Maine	Massachusetts	New Hampshire	Rhode Island	Vermont
\$766.1	\$146.0	\$2,395.2	\$99.2	\$241.1	\$118.8

Net Assets

Net assets measure the wealth of cultural organizations. These organizations possess cash and other financial assets and often real estate. Some types of assets are peculiar to certain organizations, such as works of art to museums, and books, video and music collections to libraries. As the need for greater access to art and culture grows in New England, so does its stock of cultural assets.

The net worth of the region's non-profit arts and cultural organizations totaled \$11.095 billion in 2000. New England museums and libraries owned over half of the region's net assets

NET ASSETS OF CULTURAL ORGANIZATIONS, 2000 (millions of \$)					
Connecticut	Maine	Massachusetts	New Hampshire	Rhode Island	Vermont
\$1,772.6	\$410.5	\$7,682.1	\$262.3	\$721.0	\$246.8

Admissions

About twenty-five years ago, the Advertising Council of America produced a public service television message featuring the late Billy Martin, then manager of the New York Yankees, telling viewers that the arts attract more people than all professional sports combined. In New England this certainly is still true. Attendance at the professional major league sports teams operating in New England is dwarfed by attendance at its thousands of non-profit cultural organizations. Admissions by state are shown below.

The number of total admissions to non-profit arts and cultural presentations and events in New England is estimated at 84,889,542 in 2000. This figure amounts to about 6.3 times the region's population, indicating that (1) patrons of cultural events typically attend more than one event per year, and (2) many persons attending New England's cultural events come from outside the region.

ADMISSIONS TO CULTURAL EVENTS, 2000					
Connecticut	Maine	Massachusetts	New Hampshire	Rhode Island	Vermont
18,594,078	4,223,509	46,453,717	4,968,070	4,731,616	5,918,552

Employment

Although non-profit arts and cultural organizations are not a major source of employment in any state, they fulfill a critical role in placing people, especially artists and humanists, into jobs.

Overall, arts and cultural organizations in the region employed 84,995 persons. Of these, 53,840 were artists and humanists.

EMPLOYMENT IN CULTURAL ORGANIZATIONS, 2000					
Connecticut	Maine	Massachusetts	New Hampshire	Rhode Island	Vermont
23,569	4,056	39,784	3,093	8,703	5,289

Taxes Collected/Withheld

Although non-profit organizations do not pay tax on income they generate, they serve as conduits for federal payroll tax withholding on social security contributions for their employees. Also, some transactions, such as gift shop sales, are subject to state sales taxation. Overall, the region's non-profit arts and cultural organizations collected \$134.7 million in federal and state taxes. This total is composed of \$122.0 million in federal payroll tax withholding and 12.7 million in state sales taxes.

TAXES WITHHELD/COLLECTED BY CULTURAL ORGANIZATIONS, 2000 (millions of \$)					
Connecticut	Maine	Massachusetts	New Hampshire	Rhode Island	Vermont
\$24.4	\$3.7	\$91.9	\$2.1	\$9.7	\$2.9

Economic Impact

Economic impact refers to the total dollar impact of an industry's spending, including re-spending by firms who supply goods and services to that industry. This re-spending is normally limited to that portion of the industry's initial spending that would not otherwise have occurred in the region. It was calculated by (1) estimating the amount of cultural spending financed by *out-of-state* income sources, (2) applying the appropriate state cultural spending multiplier to that initial spending to calculate induced and indirect spending, and (3) adding indirect and induced spending to total initial spending from all sources. Summing the indirect and induced spending reported for each of the states yields a total of \$1.199 billion. Adding this to the original total spending of \$4.018 billion

yields a total economic impact of \$5.217 billion in New England by non-profit cultural organizations.

ECONOMIC IMPACT OF CULTURAL ORGANIZATIONS, 2000 (millions of \$)					
Connecticut	Maine	Massachusetts	New Hampshire	Rhode Island	Vermont
\$969.6	\$211.6	\$3,426.8	\$136.4	\$316.8	\$156.2

New England Regional Summary

As noted in the executive summary above, in 2000, the non-profit segment of New England's creative economy cluster, as measured by 13,036 cultural organizations:

- Spent a total of \$3.766 billion, of which \$1.503 billion were for salaries, and \$2.263 billion were for other operating expenses.
- Received \$4.215 billion in income, of which \$2.238 billion were earned, \$1.439 million were from foundation, corporate, and individual donations, and \$538 million were from federal, state, and local government donations.
- Provided 84,495 jobs – counted among these employed persons are 53,840 artists and humanists.
- Had 84,889,542 admissions to its events, or 6.3 times the population of the entire region. About 67 percent were paid admissions.
- Collected and/or paid \$122.0 million in federal payroll tax withholding, and \$12.7 million in state sales taxes.
- Benefited from the help of 288,288 volunteers.

Enhancing the direct spending reported above with the indirect and induced spending on the state's arts, cultural, and humanities organizations financed by sources *outside each state* leads to

- **A total economic impact of \$5.217 billion, including indirect and induced spending of \$1.199 billion.**

Introduction and Background to This Study

This constitutes a comprehensive report on the economic status of New England's non-profit cultural organizations in 2000. It includes estimates of spending, income, net assets, admissions, employment and taxes for the region's 13,036 cultural organizations. The research that underlies this report has turned up the most comprehensive tally of all such organizations achieved to date. The number of cultural organizations identified in 2000 represents a 32.5 percent increase over the number identified in our 1996 study. This increase is due partly to our increased ability to identify cultural organizations from a range of data sources, as part of an ongoing effort to build a comprehensive regional cultural database, and partly to natural growth in the cultural sector. The greater number of cultural organizations and the increased levels of income and spending in comparison to the numbers reported in the 1996 study certainly represents real growth in the sector, but it should be understood that it also represents our increased ability to accurately capture information on size and economic activity of the sector.

The New England Foundation for the Arts and the six state arts agencies have been involved in promoting comprehensive economic impact studies of New England's cultural organizations for several decades.¹ In the past, these studies have been completed at a rate of one roughly every ten years. The first such study was based on information collected for 1978;² additional studies were later undertaken using information collected for 1988³ and 1996.⁴

The 1978 and 1988 studies were based on information received from direct mail surveys of the relevant organizations. The survey questionnaire was sent to all organizations that appeared on lists submitted by the six state arts agencies. At that time there was no central source that collected and disseminated information about non-profits. Thus there was no alternative to gathering the necessary data for these studies other than by a direct survey.

However, there are shortcomings of using a direct survey method. First, the survey is at

¹For more detail about the development of a regional cultural database in New England, see Appendix B.

²Gregory H. Wassall, et al, *The Arts and the New England Economy*, 2nd edition (New England Foundation for the Arts, 1981).

³Gregory H. Wassall, et al, *The Arts and The New England Economy: An Update* (New England Foundation for the Arts, 1989).

⁴Gregory H. Wassall and Douglas DeNatale, *Arts, Cultural, and Humanities Organizations in the New England Economy, 1996* (New England Foundation for the Arts, 1997).

the mercy of the response rate achieved. In the 1978 and 1988 studies, region-wide response rates of about 20 percent were realized. Care was taken to ensure much higher response rates from the largest organizations, which constituted the bulk of spending, income, employment, and thus the economic impact.

Second, estimates drawn from survey results are not completely comparable from study year to study year. Each survey attracts responses from a different set of organizations. Despite our attempts to make accurate projections from the samples in each year, there are bound to be some differences in reported outcomes that reflect the unique characteristics of those organizations that participated in the survey. Last, there is the expense of conducting a direct mail survey and any necessary follow-up of several thousand organizations.

In our 1996 report, we utilized a different approach. We gathered information on cultural organizations from two different sources. First, we collected information from the Internal Revenue Service in its Business Master File. The Business Master File reports the most recently reported total income and net assets for organizations that file non-profit returns with the IRS. Second, as in earlier studies, we conducted a direct survey. The survey was used to collect additional financial and related data not available in the Business Master File.

In New England, the 1996 survey identified 9,841 cultural organizations. Of these, we obtained income data for 5,947 from the Business Master File. The income data for each of these organizations was assumed to equal expenses. We obtained survey responses from another 685 organizations. Since we did not ask questions about net assets on our questionnaire, we did not publish any information about assets in that study.

The Current Study and its Relationship to the 1996 and Earlier Surveys

Since the 1996 survey, it has become possible to obtain more detailed information about those organizations that file an IRS Form 990. The information in these filed returns, edited and formatted for analysis, have become comprehensively available to researchers through efforts by the Urban Institute's National Center for Charitable Statistics. Non-profit organizations with annual revenue in excess of \$25,000 are required to file Form 990s annually, so the availability of these files in effect virtually guarantees a 100 percent response rate from private cultural non-profits with annual income in excess of \$25,000. The information in these files includes breakdowns of income and expenses, and more detail about the organization's balance sheet position.

However, there still remains the problem of acquiring information about organizations which are not required to file, and of acquiring additional information from all

organizations, including filers. The additional information needed, which we have collected for past studies, includes employment, volunteer hours, taxes paid/collected, and percent of income derived from non-state residents.

To obtain additional information from both groups, a direct survey was undertaken. Organizations were contacted and asked to respond by entering their financial and related information on a web site set up for this project.

In addition, we rely on information in the IRS Business Master File to provide data on income and net assets for private, non-profit organizations represented therein which are not Form 990 filers or which did not yet responded to our survey.

It is useful to categorize these 13,036 organizations as belonging to one of three groups. To visualize the distribution of organizations among these groups, as well as among states, refer to Table 1.0.

TABLE 1.0: CULTURAL ORGANIZATIONS CLASSIFIED BY TYPE AND STATE						
STATE/REGION	990 FILER	SURVEY RESPONDER	OTHER:		STATE TOTAL	% OF TOTAL WITH DATA
			INCOME/ ASSET DATA	NO DATA		
CONNECTICUT	50	90	415	1,218	2,233	45.5%
MAINE	250	56	259	719	1,284	44.0
MASSACHUSETTS	1,064	310	837	4,014	6,225	35.5
NEW HAMPSHIRE	150	54	196	740	1,440	35.1
RHODE ISLAND	159	44	111	534	848	37.0
VERMONT	167	64	171	904	1,306	30.8
NEW ENGLAND	2,300	618	1,989	8,129	13,036	37.6
SOURCE: Survey database.						

First, there are the cultural organizations that have filed Form 990s for the relevant year, called the **990 filers** in this report. Throughout New England, there are 2,300 Form 990 filers; for these organizations we use their Form 990 data to contribute to the financial data tables below.

Second, there are those organizations that have completed the online survey, called the **survey responders**. This group consists of 618 organizations. Many of these also

filed Form 990 returns, but are classified here as survey responders. For these organizations, we used their reported survey data to contribute to all the tables in this report, including estimates of employment, admissions, and taxes, for which they are the only source of information.

Last are those cultural organizations for which we do not have information from either of the above two sources, called **non-filers and non-responders**. These are the most numerous, totaling 10,118 organizations. Of these, information on total income, net assets, and liabilities is available on 1,989 from the IRS Business Master File. For the remaining 8,129 we have no financial information.⁵

It is useful to note some basic distinctions between the **990 filers** and the **other cultural non-profits**. The other cultural non-profits consist of (1) organizations that either did not file a Form 990 for 2000, but were required to, or (2) organizations that are not required to file a Form 990. Of the latter group, organizations not required to file a Form 990 include governmental organizations (such as public libraries and arts councils), embedded organizations (organizations which are part of a larger non-cultural non-profit, such as a museum or concert series embedded in a university, which does file a Form 990), and organizations that do not meet the minimum income filing requirement. The other cultural non-profits may respond to our survey, may be found in the Business Master file (but only if they are private and not embedded), or may not present any relevant data that we can capture.

Income, Spending, and Net Asset Position

There are two tables in which information in income, spending, and net assets of cultural organizations in New England are presented. In Table 1.1a, information on total income, spending and net assets is shown. As a whole, cultural organizations in the six states showed dramatic financial growth since the last survey, in 1996, with double-digit growth rates in spending and income. Financial growth outpaced growth in the number of organizations in our database. Region-wide revenues of cultural organization total 4.2 billion, and spending totals \$3.8 billion. In the region, and in the six individual states as well, growth in revenue outpaced growth in spending. The value of net assets totaled \$11.1 billion. We have no comparable number for net assets in 1996, as information on them were not requested on the 1996 survey, and Form 990 data, another prime source, were not then available. In future reports, trends relating to net assets will be noted.

⁵As organizations responded to the survey, they were moved either from the 990 filers group or the non-filers non-responders group into the survey responder group. The total number, however, remains the same.

TABLE 1.1a: CHANGE IN BASIC FINANCIAL STATUS OF NEW ENGLAND'S CULTURAL ORGANIZATIONS, 1996-2000 (dollar figures in thousands)				
YEAR	# OF ORGS.	TOTAL SPENDING (000)	TOTAL REVENUE (000)	NET ASSETS (000)
1996	9,841	\$2,339,734	\$2,352,777	NA
2000	13,036	\$3,766,334	\$4,214,919	\$11,095,232
ANNUAL % CHANGE	8.1%	15.2%	19.8%	NA
<p>DATA SOURCES: For 2000: Information extracted and prepared from IRS Form 990 filings by the National Center for Charitable Statistics; information from the IRS Business Master File, and an ongoing survey of New England's non-profit cultural organizations. For 1996: Gregory H. Wassall, and Douglas DeNatale, <i>Arts, Cultural, and Humanities Organizations in the New England Economy</i>, 1996 (Boston: New England Foundation for the Arts, 1997), various tables.</p> <p>DEFINITIONS: Using the NCCS IRS Form 990 data extract, total expenditure is the sum of program, fund-raising, management and general expenses, as well as payments to affiliates, plus the following expenses which are deducted from revenues on the Form: expenses incurred while earning rental income, selling assets, staging special events, and selling goods (i.e., cost of goods sold); total revenue is gross receipts from all sources of income with no expense deductions made. In our 1996 report, total spending is defined as the sum of operating expenses, outside fees, and capital expenses; total revenue is defined as the sum of earned income, unearned income, and endowment income. The definitions derived from the IRS data are chosen in order to make spending and revenue amounts comparable between the two sources of data.</p>				

A different look at these three financial categories can be found in Table 1.b, where averages per organization are presented. In Table 1.b, amounts are in dollars, unlike the financial data in surrounding tables, which are in thousands of dollars. It can be seen in Table 1.1b that the average organization size increased by 5.4 percent, in terms

TABLE 1.1b: CHANGE IN AVERAGE FINANCIAL SIZE OF NEW ENGLAND'S CULTURAL ORGANIZATIONS, 1996-2000 (all data are on a per organization basis)				
YEAR	# OF ORGS.	SPENDING PER ORG.	REVENUE PER ORG.	NET ASSETS PER ORG.
1996	9,841	\$237,754	\$239,079	NA
2000	13,036	\$288,918	\$323,329	\$602,774
ANNUAL % CHANGE	2.3%	5.4%	8.8%	NA
DATA SOURCES AND DEFINITIONS: See Table 1.1a.				

of spending, and 8.8 percent, in terms of revenue. Thus we can conclude that the double-digit growth rates observed in Table 1.1a are the product of both more organizations' spending and revenue enhancing the total, and a growth in organizations present in both databases. The average organization has about a \$300,000 budget,

although many in the data base report no income or spending, and a few have budgets in excess of \$100 million.

Comparable data for each organization in each state are found in the following chapters. Financially larger organizations are more frequently found in the lower tier states. Growth rates are generally positive, but differ among states.

Some detail on revenues and expenses can be found in the next two tables. In Table 1.2, revenues are broken into earned and contributed, with contributed income further broken into that from private and government sources. Region-wide, about 47 percent of revenues came from contributed sources, with private contributions outnumbering government contributions by almost a three to one ratio. The 1996 survey reported about 37 percent of income from contributed sources, with the share of government in that total greater. Since we relied on different data sources in the two reports and have new organizations in the database, it is not clear if this growth of contributed income represents an actual shift or reflects differences between the two data collection strategies. It is also true that the share of contributed income in the states' total revenue tables varies as well.

TABLE 1.2: REVENUES OF NEW ENGLAND CULTURAL ORGANIZATIONS, 2000 (dollar figures in thousands)					
#OF ORGS.	EARNED	CONTRIBUTED		TOTAL	% FROM OUTSIDE STATE
		PRIVATE	GOV'T.		
13,036	\$2,237,921	\$1,439,036	\$537,962	\$4,214,919	17.7%
DATA SOURCES AND DEFINITIONS: See Table 1.1a. The breakdown of total revenues into categories of revenue is estimated from data provided by Form 990 filers and survey responders.					

In Table 1.3 there is a breakdown of total spending into salaries and other expenses. New England non-profit cultural organizations spent \$1.5 billion on salaries for employees in 2000. Salaries constituted about 40 percent of expenses. This is a lower percentage than reported in 1996, but the comparable number in 1996 included fringe benefits as well as salary income.

TABLE 1.3: SPENDING BY NEW ENGLAND CULTURAL ORGANIZATIONS, 2000 (dollar figures in thousands)			
# OF ORGS.	SALARIES	OTHER EXPENSES	TOTAL SPENDING
13,036	\$1,503,501	\$2,262,833	\$3,766,334
DATA SOURCES AND DEFINITIONS: See Table 1.1a. The breakdown of total spending into categories of spending is estimated from data provided by Form 990 filers and survey responders.			

Admissions

The figures in Tables 1.4 to 1.6 are based on information collected in our online survey, the only source available for this information.

Admissions to New England cultural organizations are reported in Table 1.4. A total of 84.8 million persons attended cultural events in the region during 2000. Keep in mind that admissions figures cover all reported attendance or visits to artistic performances, museums, cultural sites, and other events. Thus the same individual can be responsible for many admissions during a year, even to the same museum, event or performance series. Also, many out-of-region tourists come to New England to attend events and browse museums and galleries.

TABLE 1.4: ADMISSIONS TO NEW ENGLAND CULTURAL ORGANIZATION EVENTS, 2000					
# OF ORGS.	ADMISSIONS:		TOTAL	% FROM OUTSIDE STATE:	
	PAID	UNPAID		PAID	UNPAID
13,036	56,814,015	28,075,527	84,889,542	13.9%	13.4%
DATA SOURCES AND DEFINITIONS: Admissions are estimated from data provided by the survey of cultural organizations.					

Despite the nature of admissions data, the results are very impressive. A striking perspective that can be applied to New England's total admissions estimate of 84.8 million is that it is roughly six times the population of the entire region. Clearly, tourists visit New England and attend cultural events. Table 1.4 also shows that about 14 percent of all admissions were of persons from outside the state where the event was held, although they could have been residents of other New England states (this question was not asked in the survey). However, these statistics more directly reflects the frequency with which New Englanders attend cultural events, presentations, and historic sites and related attractions in their state and region.

The survey also asked cultural organizations to report on paid and unpaid admissions during the year. About two-thirds of total admissions were paid. Roughly equal percentages of persons attending paid and unpaid events were non-state residents.

Employment

Cultural organizations, like many other non-profit service organizations, depend heavily on labor, and devote a large percentage of spending to salaries. However, given their relatively small size, they tend not to be major sources of employment individually. Another characteristic of many of these organizations

is reliance on part-time workers and volunteers.⁶ The relative inability of service organizations to substitute workers with capital equipment and new technology has been called *Baumol's disease*, after the cultural economist who first documented this phenomenon.

Employment figures for New England are found in Table 1.5. Total employment was estimated to be 84,495. Of these, artist employment was estimated to be 53,840.⁷ The extensive use of volunteers can be noted in this table as well. Cultural organizations in New England benefited from the services of 288,288 volunteers. These volunteers included professional and other workers; over one-third were artists.

# OF ORGS.	TOTAL EMPLOYMENT	ARTIST EMPLOYMENT	VOLUNTEERS
13,036	84,495	53,840	288,288

DATA SOURCES AND DEFINITIONS: Employment and volunteer data are estimated from data provided by the survey of cultural organizations.

Taxes

Although non-profit organizations do not pay taxes, their activities create tax revenues. Since the IRS Form 990 only requests information on payroll taxes for social security, we asked the same question in our survey. On the survey we also requested the amount of state sales taxes collected (for example, in gift shops). In past years we had requested information on federal and state income taxes withheld, so there is no comparability to results from past surveys in this area.

In Table 1.6, we see that cultural organizations remitted \$12.7 million in state sales taxes, and \$122.0 million in federal payroll taxes. (State sales taxes would be paid primarily out of concession sales by these organizations.)

⁶We did not ask for information on part-time employees in our survey this time, although such information was requested in prior surveys. The majority of employees associated with cultural organizations were classified as part-time in previous surveys.

⁷Although cultural organizations are a source of employment for many artists, the majority of artists do not work for them. Estimated artist employment in New England in 2000 was 126,000. This number counts only persons who work as artists as their primary job. The numbers in Table 1.5 include some persons working part-time as artists (a jazz group which performs on weekends, for example), but who would report a different occupation for their full-time job. See Gregory H. Wassall, *Employment of Artists in New England: 2000*, report submitted to the New England Foundation for the Arts, 2003.

TABLE 1.6: STATE AND FEDERAL TAXES COLLECTED OR WITHHELD BY NEW ENGLAND CULTURAL ORGANIZATIONS, 2000 (dollar figures in thousands)			
# OF ORGS.	STATE SALES TAXES	FEDERAL PAYROLL TAXES	TOTAL TAXES
13,036	\$12,717	\$122,031	\$134,748
DATA SOURCES AND DEFINITIONS: Tax data are derived from the survey of cultural organizations. State taxes reported are sales taxes collected. Federal taxes reported are the employer contribution to the payroll tax.			

Economic Impact

Estimating economic impact entails making an estimate of the additional indirect and induced spending created by the initial spending made by the state's cultural organizations, and adding that amount to the initial spending.⁸ Economists argue that only income brought into the region has an economic impact; income that non-profit cultural organizations receive from state residents would have been spent inside the state (on other entertainment, perhaps) if these cultural organizations did not exist. Thus, conservatively, these "multiplier effects" of cultural organization spending should be applied only to that percentage of spending financed by income received from out-of-state sources.

Thus economic impact can be directly calculated *for each state* by using the reported percentage of income brought into the state by the cultural organizations as the basis for estimating spending from out-of-state income. We did not request information about income brought into New England from outside the New England region by cultural organizations. Thus we define the region-wide economic impact as simply the sum of the economic impacts calculated for each of the six states. In doing this, we recognize that, for example, some of the income brought into, say, Massachusetts by its cultural organizations may have originated in other New England states.

In each state, economic impact was determined by (1) estimating spending financed by out-of-state income sources, (2) applying the appropriate state cultural spending multiplier to that initial spending to calculate induced and indirect spending, and (3) adding indirect and induced spending to total initial spending from all sources. The details are reported in each state chapter. Summing the indirect and induced spending reported in each of the state chapters yields a total of \$1.199 billion. Adding this to the original total spending of \$4.018 billion yields an economic impact of \$5.217 billion.

The Impact of Audience Spending

One important element that is missing from this report is information on the

⁸ The indirect impact refers to further spending by local firms initiated by the direct spending. The induced impact refers to spending by households out of additional income created by the direct and indirect spending.

related spending by audiences of cultural events while attending the event. (The spending on admissions is captured in the admissions income data reported by the organizations themselves.) Audience surveying is costly, and the production of reasonably accurate estimates for an entire state or region would entail sampling the audiences of numerous organizations throughout the state.

However, when audience-spending estimates are available, it is usually observed that this spending, and its consequent economic impact, is generally of the same order of magnitude as the organizational spending itself. Despite its cost and difficulty, we did conduct a comprehensive survey of cultural audiences as part of the 1988 study.⁹ Our study of audience spending in New England in 1988 indicated that the amount the average audience member spent while attending a cultural event was \$20.24. Comparable spending by the estimated 84.9 million New England audience members in 2000 (the actual amount each person spent in 2000 would certainly be greater) would likely generate an additional \$2 billion of spending in New England, on restaurants, hotels, motels, gift shops, gasoline vendors, and transportation systems. In addition, spending made by out-of-state admissions would have generated indirect and induced spending effects, which would make the economic impact of audience spending significantly greater than its direct spending.

A More Detailed Comparison Between Upper and Lower New England

As discussed in the following state chapters, not only do the three upper tier New England states differ from the lower tier states in population density, industry mix, and urbanization, but in the type and nature of cultural organization typically found within their borders as well. In the next section we examine some differences in the type of organization found in each state. In this section we look at the financial, audience, and employment characteristics of cultural organizations in the two tiers.

In Table 1.7 we compare the average financial size of cultural organizations, between the upper and lower tier states and between 1996 and 2000. In both periods lower tier organizations were significantly larger, with revenues and spending about four times greater in 1996 and over three times greater in 2000. This shrinking ratio is mainly a statistical artifact caused by the addition of a great number of smaller cultural organizations in Massachusetts to the 2000 database; this is reflected in the over three thousand additional organizations identified in lower New England in 2000. In general, although the types of organization in both sub-regions tend to be similar, the lower New England versions are larger.

In Table 1.8 a number of financial, admissions and employment data are

⁹ As part of that study 38 performing and visual arts organizations throughout the region participated in audience surveys. Spending per audience member ranged from \$13.93 for persons attending dance events to \$27.11 for persons attending music events.

TABLE 1.7: COMPARISON OF LOWER AND UPPER TIER STATES: AVERAGE REVENUE AND SPENDING, 2000 AND 1996 (dollar figures in thousands)

REGION	YEAR	# OF ORGS.	AVERAGE REVENUE	AVERAGE SPENDING
LOWER NEW ENGLAND	2000	9,306	379,013	337,343
	1996	6,079	294,465	288,594
UPPER NEW ENGLAND	2000	3,730	117,127	97,238
	1996	3,762	74,392	70,667

SOURCE: IRS and survey of cultural organizations.

displayed as percentages, with each number reflecting the percentage of that region-wide entity reported in lower New England. Again, the lower tier's greater size, this time in the aggregate, shows up. The lower tier organizations, on average, account for about 90 percent of the financial totals, 85 percent of employment, 80 percent of volunteers, 80 percent of admissions. The lower tier percentages rose across the board in 2000, although this may be mainly the result of uncovering more uncounted organizations in that region in 2000.

TABLE 1.8: COMPARISON OF LOWER AND UPPER TIER STATES – PERCENTAGE OF FINANCIAL AND EMPLOYMENT MEASURES EMANATING FROM LOWER TIER ORGANIZATIONS, 1996 AND 2000

	YEAR	# ORGS	TOTAL REVENUE	TOTAL SPENDING	PAID ADM	UNPAID ADM	NET ASSETS	TOTAL EMPLOYMENT	ARTIST EMPLOYMENT	VOLUNTEERS
PERCENTAGE IN LOWER NEW ENGLAND	2000	71.4	91.4	90.3	81.9	82.8	91.7	85.3	84.9	80.2
	1996	61.8	89.7	89.2	80.1	75.7	NA	78.7	79.4	66.9

SOURCE: IRS and survey of cultural organizations.

A Breakdown By Organizational Type

As in the 1996 report, we also offer a perspective on the most relevant financial information classified by type of organization; comparable analyses are offered in each state chapter.¹⁰ A description of each of the twelve organizational

¹⁰These breakdowns are limited to financial data because it can be drawn from a larger sample of at least all Form 990 organizations and survey responders. Relying only on the 618 survey

categories is found in Table 1.9, and the data are found in Table 1.10 following this section. The most prominent type of organization by far is performing arts, accounting for over 30 percent of the total. In frequency, performing arts organizations are followed by historical, humanities and service organizations. In terms of budget size, museums are most prominent, having the most revenue and net assets, and are second to performing arts organizations in spending. The third largest in terms of current spending and income are media organizations; third largest in terms of assets are libraries.

TABLE 1.9: DESCRIPTION OF ORGANIZATIONAL CATEGORIES	
CATEGORY	DESCRIPTION
ETHNIC	Ethnic Cultural Organizations, International Cultural Exchanges
FAIR	Fairs, Festivals, Cultural Series
HISTORICAL	Historical Societies, Historical Sites, Historical Commemorations, Historical Reenactments, Historic Preservation
HUMANITIES	Humanities Organizations, Literary Programs, Literary Publishers
LIBRARY	Libraries, Friends of Library Associations
MEDIA	Media Arts Organizations, Public Broadcasting Organizations
MULTI	Multidisciplinary Cultural Organizations
MUSEUM	Museums, Zoos, Science Centers, Planetariums
PERFORMING	Performing Arts Organizations, Performing Arts Groups
SCHOOL	Arts Education, Arts Training Programs
SERVICE	Arts/Cultural Councils, Service Organizations, Funding Organizations
VISUAL	Visual Arts Organizations

These basic relationships are found in other states, with some differences in the number and distribution of organizations. Performing organizations tend to be the largest in number in every state.

Conclusion

This chapter and the subsequent chapters show that the region's cultural organizations experienced considerable financial growth between 1996, the period of our last study, and 2000. Our data collection has also become more

responders to create data across 12 organization categories and 6 states would lead to sample sizes much too small to allow for valid projections.

comprehensive since then, picking up a number of organizations not tallied in 1996. Because the two surveys did not generate a set of matched organizations, direct comparisons, though frequently made, are not always entirely relevant. It nevertheless seems true that existing organizations prospered during the interim and also that the new organizations that were formed are ongoing entities.

The economy in New England in the years since 2000 may not have been as kind to these organizations. Reports of declining foundation and corporate support and state governments in financial distress have become common. As more recent information becomes available, we will update the findings in the next edition of this report.

TABLE 1.10: SPENDING, INCOME, AND NET ASSETS OF NEW ENGLAND CULTURAL ORGANIZATIONS, BY ORGANIZATION TYPE, 2000
(in dollars)

ORG. TYPE	# OF ORGS.	PRIVATE CONTRIB.	GOVT. CONTRIB.	OTHER REVENUE	TOTAL REVENUE	TOTAL SPENDING	SALARIES	OTHER SPENDING	NET ASSETS
Ethnic	388	\$6,231,668	\$4,544,579	\$29,937,695	\$41,360,968	\$40,475,793	\$22,089,099	\$18,889,131	\$94,036,129
Fair	518	128,573,455	17,133,423	72,539,768	216,347,675	213,752,786	51,414,830	159,361,663	372,253,121
Historical	1,703	113,455,765	27,420,395	142,394,349	285,661,081	238,960,969	94,795,449	144,198,284	1,064,619,825
Humanities	487	97,026,690	11,443,381	144,526,983	252,609,968	245,917,656	104,177,764	142,167,863	515,460,158
Library	1,440	120,180,447	155,921,545	136,303,724	399,415,684	320,531,026	138,736,825	183,452,758	1,808,483,418
Media	484	235,339,829	99,947,481	191,568,189	511,057,704	515,916,900	204,471,444	312,548,225	467,932,919
Multi	968	41,935,568	34,957,247	76,312,700	153,068,616	139,584,093	55,246,242	84,186,586	186,649,088
Museum	816	295,712,946	66,953,552	548,084,401	922,799,311	758,755,455	323,147,087	437,720,374	3,910,419,937
Performing	4,070	288,875,620	74,345,185	503,158,946	887,323,462	804,280,278	294,520,596	506,962,385	1,221,629,744
School	386	34,476,809	1,986,631	290,554,278	324,335,409	282,279,648	150,312,541	134,745,723	906,731,493
Service	1,071	50,487,007	37,132,414	46,976,093	131,045,195	118,464,497	26,519,111	90,167,363	373,724,681
Visual	705	26,740,156	6,176,052	55,563,585	89,893,486	85,775,133	38,070,209	48,432,479	173,291,029
TOTAL	13,036	1,439,035,961	537,961,884	2,237,920,713	4,214,918,559	3,764,694,235	1,503,501,198	2,262,832,836	11,095,231,541

SOURCE: See tables above.

State Summaries

Connecticut

In 2000, the non-profit segment of the creative economy cluster in Connecticut, as measured by 2,233 organizations:

- Spent a total of \$766.1 million, of which \$308.8 million were for salaries, and \$457.2 million were for other operating expenses.
- Received \$845.2 million in income, of which \$234.2 million were private contributions, \$274.3 million were government contributions, and \$79.7 million were earned from all other sources. Of the total, 13.2 percent came from out-of-state sources.
- Provided 23,885 jobs. Counted among these employed persons were 16,052 artists.
- Had 18,843,303 admissions to its events, or over five times the population of the entire state. About 60 percent were paid admissions.
- Collected and/or paid \$22.5 million in federal social security taxes, and \$1.9 million in state sales taxes.
- Benefited from the help of 111,368 volunteers.

Enhancing the direct spending reported above with the indirect and induced spending on the state's arts, cultural, and humanities organizations financed by sources *outside the state* leads to

- **A total economic impact of \$969.6 million, including *indirect and induced spending* of \$203.6 million.**

Introduction

This chapter reports on the economic status of Connecticut's non-profit cultural organizations in 2000. It includes estimates of total spending, income net assets, admissions, employment and taxes for the state's 2,233 cultural organizations. The research that underlies this report has turned up the most comprehensive tally of all such organizations achieved to date. The number of cultural organizations in 2000 represents a 2.3 percent average annual increase over the number determined in our 1996 study. As we discuss below, this increase is due in part to our increased ability to identify cultural organizations from a range of data sources, as part of an ongoing effort to build a comprehensive regional cultural database. The greater number of cultural organizations and the increased levels of income and spending in comparison to the numbers reported in the 1996 study represents real growth in the sector, but it also represents our increased ability to accurately capture information on size and economic activity of the sector. These 2,233 cultural organizations spent, in the aggregate, in 2000, \$766 million and earned \$845 million in revenue. Since the previous 1996 study, spending and revenue have grown at annual rates of 13.1 percent and 16.0 percent respectively.

Connecticut has had a long history of hosting major cultural organizations. Its convenient location between Boston and New York City has enabled it over time to attract numerous commuters to those metropolitan areas to reside within the Nutmeg State. It has also benefited as a host state for corporate headquarters and other for-profit enterprises. It has ranked at or near the top of the 50 states in income of residents. In 2000, Connecticut's per capita personal income of \$41,446 placed it first among the 50 states, almost \$12,000 above the national average. Its population in 2000 was 3,404,565, and its population density of 614 persons per square mile placed it third among all states.¹¹

The Current Study and its Relationship to the 1996 Study

As noted in the regional summary above, the data collection methodology behind this study has been evolving. The last regional survey based report, which reflected conditions in 1996, gathered information on cultural organizations from two different sources. First, we collected information from the Internal Revenue Service in its Business Master File. The Business Master File reports total income and net assets for organizations that file non-profit returns with the IRS. Second, as in earlier studies, we conducted a direct survey. The survey was used to collect additional financial and related data not available in the Business Master File.

In Connecticut, the 1996 survey identified 2,046 cultural organizations. Of these, we obtained income data for 1,250 from the Business Master File. The income

¹¹Data in this paragraph were obtained from web sites supported by the U. S. Department of Commerce, Bureaus of the Census and Economic Analysis.

data for each of these organizations was assumed to equal expenses. We obtained survey responses from another 96 organizations. Since we did not ask questions about net assets on our questionnaire, we did not publish any information about assets in that study.

As noted earlier, for this study we extracted financial information from processed IRS Form 990 filings, from our own direct survey, and from the IRS Business Master File. The Form 990 data give us an almost complete accounting of freestanding cultural non-profits with revenue in excess of \$25,000, called **990 filers** in this report.

While the Form 990 contains substantial financial data, it does not contain information on employment, admissions, and taxes paid and collected. To collect these data, we relied on a direct survey. The direct survey was also used to obtain information on other organizations that do not file a Form 990, such as government organizations and embedded organizations. Organizations that responded to our survey are termed **survey responders**.

Finally, we collected income and net asset position information on other organizations from the Business Master File. We relied on the IRS Business Master File to provide data on income and net assets for private, non-profit organizations appearing in this file which were not Form 990 filers or which did not respond to our survey. Since organizations on the Business Master File did not file a Form 990 or complete our survey, they are termed **non-filers and non-responders**. When an organization for which we already had some form of IRS data responded to our survey, we reclassified it as a survey responder.

Before examining the results of the survey work, it is useful to consider the 2,233 organizations we identified as belonging to one of three groups.

First, there are the 990 filers. In the Connecticut database, there are 510 Form 990 filers. Second, there are 90 survey responders, organizations that completed the online survey. Many of these also filed Form 990 returns, but are classified here as survey responders, since we used their reported survey data to contribute to the tables below.

Last are those cultural organizations for which we do not have information from either of the above two sources, the non-filers and non-responders. These are the most numerous, totaling 1,633 organizations. Of these, information on total income, net assets, and liabilities was available on 415 from the IRS Business Master File. For the remaining 1,218 we have no financial information.¹²

¹²As organizations responded to the survey, they were moved either from the 990 filers group or the non-filers non-responders group into the survey responder group. The total number is the same.

Naturally, the ability to obtain consistent information from at least one of these three sources makes projections from that information more accurate. The most basic financial information – income, spending, and net assets – is reported by all three groups of organizations; 1,015 of the 2,233 organizations reported this information. Data on categories of income and spending are available only from 990 filers and survey responders, which number 600 in total. Finally, information on employment, admissions, and taxes paid and collected are reported only by the survey responders, which number 90. Thus these last categories of information are subject to the greatest error when projecting from the sample to the entire population.

Income, Spending and Net Asset Position

In this section, we report on the income, spending and net asset positions of Connecticut's cultural organizations. Income and spending are broken into component categories.

In Table 2.1a below we report on overall revenues, spending and net asset position. The information in this table shows the state's cultural "industry" growing at a healthy pace in the four years since the last cultural inventory was

YEAR	# OF ORGS.	TOTAL SPENDING (000)	TOTAL REVENUE (000)	NET ASSETS (000)
1996	2,046	\$502,641	\$515,941	NA
2000	2,233	\$766,058	\$845,243	\$1,772,264
ANNUAL % CHANGE	2.3%	13.1%	16.0%	NA

DATA SOURCES: For 2000: Information extracted and prepared from IRS Form 990 filings by the National Center for Charitable Statistics; information from the IRS Business Master File, and an ongoing survey of Connecticut's non-profit cultural organizations. For 1996: Gregory H. Wassall, and Douglas DeNatale, *Arts, Cultural, and Humanities Organizations in the New England Economy*, 1996 (Boston: New England Foundation for the Arts, 1997), various tables.

DEFINITIONS: Using the NCCS IRS Form 990 data extract, total expenditure is the sum of program, fund-raising, management and general expenses, as well as payments to affiliates, plus the following expenses which are deducted from revenues on the Form: expenses incurred while earning rental income, selling assets, staging special events, and selling goods (i.e., cost of goods sold); total revenue is gross receipts from all sources of income with no expense deductions made. In our 1996 report, total spending is defined as the sum of operating expenses, outside fees, and capital expenses; total revenue is defined as the sum of earned income, unearned income, and endowment income. The definitions derived from the IRS data are chosen in order to make spending and revenue amounts comparable between the two sources of data.

taken. On an annual basis, the number of organizations increased by 2.3% since the 1996 survey. Total spending is estimated to be \$766 million, and total revenue is estimated to be \$845 million. In the four-year period, total spending grew by 13.1 percent annually, and total revenue grew by 16.0 percent annually. Net assets, which were not estimated in 1996, are estimated in 2000 to be

\$1.772 billion.

In Table 2.1b, the same information on revenue, spending and net assets, but on a per organization basis, is presented. This table enables one to get an estimate of the average size of Connecticut's cultural organizations. Also, by comparing Tables 2.1a and 2.1b, one can determine how much of the spending and revenue growth was due to growth in the number of organizations, or to growth in (or a changing mix of) existing organizations. The growth percentages in Table 2.1b indicate that about three-fourths of the overall growth in spending and revenue can be attributed to growth in the average size of a cultural organization in the state. With no prior data on net assets from the 1996 survey, temporal comparisons cannot be made for this category in the current study (but will in future reports). Like those of other New England states, Connecticut's cultural organizations on average had more revenue than spending in 2000.

TABLE 2.1b: CHANGE IN AVERAGE FINANCIAL SIZE OF CONNECTICUT'S CULTURAL ORGANIZATIONS, 1996-2000 (all data are on a per organization basis)				
YEAR	# OF ORGS.	SPENDING PER ORG.	REVENUE PER ORG.	NET ASSETS PER ORG.
1996	2,046	\$245,670	\$252,171	NA
2000	2,233	\$343,062	\$378,523	\$793,837
ANNUAL % CHANGE	2.3%	9.9%	12.5%	NA
DATA SOURCES AND DEFINITIONS: See Table 2.1a.				

The period 1996-2000 represented years of exceptional growth in state, regional, and national economies. It also covered a time when growing stock market wealth led to increased philanthropic activity, and to a healthy growth in state tax revenues. The economic downturn of 2000-2002 and the subsequent period of low growth have led to a reversal in both these trends. It remains to be seen in future reports how the state's cultural organizations fared during this period.

More detail on revenue is presented in Table 2.2. In that table, revenue is broken into earned and contributed sources. Contributed income is further broken into that received from the private sector (corporations, foundations, and individuals), and from the public sector (federal, state and local government). Combined private and public contributed income accounted for over half of total revenues in 2000. The fact that contributed income accounted for a larger share of total income in 2000 than in 1996 is more likely due to the different mix of organizations whose financial data was captured in 2000 than to changing trends in sources of support. The latter year contains more libraries, for example, which normally have little earned income.

TABLE 2.2: REVENUES OF CONNECTICUT CULTURAL ORGANIZATIONS, 2000 (dollar figures in thousands)					
#OF ORGS.	EARNED	CONTRIBUTED		TOTAL	% FROM OUTSIDE CT.
		PRIVATE	GOV'T.		
2,233	\$336,822	\$234,166	\$274,255	\$845,243	13.2%
DATA SOURCES AND DEFINITIONS: See Table 2.1a. The breakdown of total revenues into categories of revenue is estimated from data provided by Form 990 filers and survey responders.					

In Table 2.3, spending is broken into salaries and other expenses. In 2000, salaries accounted for roughly 40 percent of total spending. In 1996, the same category included salaries and fringe benefits, and accounted for a larger share (just over half) of spending. Because the definitions used in each study are not consistent, one cannot determine whether the share of salaries in expenses has fallen or not.¹³

TABLE 2.3: SPENDING BY CONNECTICUT CULTURAL ORGANIZATIONS, 2000 (dollar figures in thousands)			
# OF ORGS.	SALARIES	OTHER EXPENSES	TOTAL SPENDING
2,233	\$308,835	\$457,223	\$766,058
DATA SOURCES AND DEFINITIONS: See Table 2.1a. The breakdown of total spending into categories of spending is estimated from data provided by Form 990 filers and survey responders.			

Admissions

In Table 2.4, admissions, both paid and unpaid, are reported. The IRS does not require information on admissions data; thus total paid and unpaid admissions were estimated based on information submitted by the survey organizations.

TABLE 2.4: ADMISSIONS TO CONNECTICUT CULTURAL ORGANIZATION EVENTS, 2000					
# OF ORGS.	ADMISSIONS:		TOTAL	% FROM OUTSIDE CT:	
	PAID	UNPAID		PAID	UNPAID
2,233	10,996,596	7,846,707	18,843,303	14.6%	9.9%
DATA SOURCES AND DEFINITIONS: Admissions are estimated from data provided by the survey of cultural organizations.					

In 2000, 11.0 million persons paid to attend cultural events in the state. Another 7.8 million attended free events. Combined paid and unpaid admissions

¹³Information on salaries comes from both the Form 990 and the survey organizations. Because the Internal Revenue Service requests salary data only on the Form 990, for comparability the same information was requested on our survey instrument as well.

exceeded 18 million.¹⁴ About 15 percent of persons attending paid events were estimated to have come from out of state; about 10 percent of those attending free events were estimated to be non-residents.

Employment and Volunteer Hours

Information on employment and volunteer hours can be found in Table 2.5. The data in this table was derived from information collected from the survey organizations only; the Form 990 does not require reporting of comprehensive employment data. Based on projections from the survey organizations, we estimate that these 2,232 organizations employed about 24,000 persons, or slightly over 10 paid employees per organization. Of these, 16,000 were identified as artists. These numbers include both full-time and part-time workers; no attempt was made to distinguish between the two types of worker.

# OF ORGS.	TOTAL EMPLOYMENT	ARTIST EMPLOYMENT	VOLUNTEERS
2,233	23,885	16,052	111,368

DATA SOURCES AND DEFINITIONS: Employment and volunteer data are estimated from data provided by the survey of cultural organizations.

The number of volunteers donating their time to cultural organizations was estimated to be 111,000. Of these, about 30 percent were identified as artists.

State and Federal Taxes Collected

Although non-profit organizations do not pay taxes, their activities create tax revenues. In the survey questionnaire, information was requested on the amount

# OF ORGS.	STATE SALES TAXES	FEDERAL PAYROLL TAXES	TOTAL TAXES
2,233	\$1,924	\$22,472	\$24,396

DATA SOURCES AND DEFINITIONS: Tax data are derived from the survey of cultural organizations. State taxes reported are sales taxes collected. Federal taxes reported are the employer contribution to the payroll tax.

of employer social security contributions collected and/or paid, and the amount of state sales taxes collected and/or paid. The Form 990 also requests the amount of employer contributions to the payroll tax. Although the goods and services

¹⁴Though this number may seem unduly large – it represents about six times the state’s population – it should be kept in mind that the same person can attend numerous cultural events during the course of a year.

directly provided by these organizations are not taxable, state sales taxes would be levied primarily on their concession sales.

Overall, the state's cultural organizations reported collecting \$22.4 million in federal payroll taxes and \$1.9 million in state sales taxes.¹⁵

Spending, Revenue and Asset Breakdown by Type of Cultural Organization

In Table 2.7 following this section, the major spending and revenue categories, as well as net assets, are broken into the twelve organizational categories defined in the regional summary chapter. A count of each type of organization in the state is shown in this table as well. By far the most common is the performing arts organization, which constitutes about a third of the total number of organizations. Performing organizations contributed the most to the overall financial results; their aggregate income and spending accounted for over 40 percent of the total. Second and third were museums and media organizations. Performing arts organizations reported receiving the most direct private support; libraries and media organizations benefited from the greatest amount of government support.

Economic Impact of Cultural Organization Spending

Estimating total economic impact entails making an estimate of the additional indirect and induced spending caused by initial spending by the state's cultural organizations, and adding that amount to the initial spending.¹⁶ Economists argue that only income brought into the region has an economic impact; income that cultural organizations receive from state residents would have been spent inside the state (on other entertainment, perhaps) if these cultural organizations did not exist. Thus, conservatively, these "multiplier effects" of cultural organization spending should be applied only to that percentage of spending financed by income received from out-of-state sources.

It was noted in the section on income that 13.2 percent of total income received by Connecticut's cultural organizations came from out-of-state sources. Using regional input-output modeling it is possible to estimate the additional indirect and induced spending that this export income creates.¹⁷ Connecticut cultural

¹⁵ Although these numbers are somewhat lower than in 1996, in the earlier year we used a more comprehensive definition of taxes. Federal taxes included withholding on income taxes as well as employee contributions to the payroll tax. State taxes included income tax withholding as well as sales taxes collected.

¹⁶ The indirect impact refers to further spending by local firms initiated by the direct spending. The induced impact refers to spending by households out of additional income created by the direct and indirect spending.

¹⁷ A number of organizations have developed regional input-output models. In this study we use a system developed by The Bureau of Economic Analysis of the Commerce Department, called

organizations are responsible for indirect and induced re-spending of \$203,583,000. The total economic impact of the state's cultural organizations is thus estimated at \$969,964,000.

Conclusion

This study paints a positive portrait of Connecticut's cultural organizations, revealing considerable financial growth since the 1996 study. Although the organizations identified in both studies are not exact matches, there is sufficient overlap for us to conclude that both existing organizations prospered during the interim and new organizations were formed or at least identified by our data collection.

As noted above, the years since 2000 may not have been as beneficent. As more recent information becomes available, we will update the findings in this report.

TABLE 2.7: SPENDING, INCOME, AND NET ASSETS OF CONNECTICUT CULTURAL ORGANIZATIONS, BY ORGANIZATION TYPE, 2000 (in dollars)

ORG. TYPE	# OF ORGS.	PRIVATE CONTRIB.	GOVT. CONTRIB.	OTHER REVENUE	TOTAL REVENUE	TOTAL SPENDING	SALARIES	OTHER SPENDING	NET ASSETS
Ethnic	71	\$719,156	\$874,046	\$5,231,305	\$7,400,555	\$6,246,921	\$2,925,433	\$3,388,376	\$13,193,045
Fair	76	8,142,693	9,812,964	3,416,587	20,139,241	19,733,174	4,789,941	14,423,002	88,302,059
Historical	237	13,351,627	5,418,225	15,530,409	36,632,346	25,557,758	9,509,144	15,918,052	171,590,979
Humanities	71	869,516	284,081	1,705,289	3,126,606	2,821,498	808,676	1,958,784	1,221,473
Library	184	15,958,371	76,124,546	14,017,744	88,870,455	68,591,785	40,110,552	30,528,635	233,768,172
Media	101	19,715,005	73,364,200	25,854,707	104,593,063	98,760,316	38,117,880	60,363,507	77,385,722
Multi	190	11,611,080	17,743,996	13,656,503	41,433,615	35,151,630	10,938,733	23,681,633	77,928,333
Museum	145	35,848,958	10,568,184	61,607,023	118,167,842	99,651,567	46,973,808	53,795,215	437,602,920
Performing	811	117,268,132	58,466,733	171,695,377	369,803,783	356,802,539	131,077,040	223,627,224	534,592,900
School	63	1,604,868	248,205	11,395,484	14,969,006	14,465,147	8,199,330	6,654,944	15,622,387
Service	155	6,962,892	19,738,351	4,077,392	26,727,268	25,772,700	9,252,793	16,332,974	94,793,002
Visual	129	2,113,242	1,611,827	8,633,874	13,378,813	12,502,940	6,131,903	6,550,398	26,636,394
TOTAL	2233	234,165,539	274,255,359	336,821,694	845,242,593	766,057,976	308,835,233	457,222,743	1,772,637,387

SOURCE: See tables above.

Maine

In 2000, the non-profit segment of the creative economy cluster in Maine, as measured by 1,284 organizations:

- Spent a total of \$146.0 million, of which \$49.9 million were for salaries, and \$96.1 million were for other operating expenses.
- Received \$179.0 million in income, of which \$69.3 million were private contributions, \$29.9 million were government contributions, and \$79.7 million were earned from all other sources. Of the total, 24.3 percent came from out-of-state sources.
- Provided 4,056 jobs. Counted among these employed persons were 2,338 artists.
- Had 4,223,509 admissions to its events, or about four times the population of the entire state. About 80 percent were paid admissions.
- Collected and/or paid \$3.3 million in federal social security taxes, and \$0.4 million in state sales taxes.
- Benefited from the help of 18,218 volunteers.

Enhancing the direct spending reported above with the indirect and induced spending on the state's arts, cultural, and humanities organizations financed by sources *outside the state* leads to

- **A total economic impact of \$211.6 million, including *indirect and induced spending* of \$65.6 million.**

Introduction

This chapter reports on the economic status of Maine's non-profit cultural organizations in 2000. It includes estimates of total spending, income net assets, admissions, employment and taxes for the state's 1,284 cultural organizations. The research that underlies this report has turned up the most comprehensive tally of all such organizations achieved to date. The number of cultural organizations in 2000 represents a 3.8 percent annual average increase over the number determined in our 1996 study. As we discuss below, this increase is due in part to our increased ability to identify cultural organizations from a range of data sources, as part of an ongoing effort to build a comprehensive regional cultural database. The greater number of cultural organizations and the increased levels of income and spending in comparison to the numbers reported in the 1996 study represents real growth in the sector, but it also represents our increased ability to accurately capture information on size and economic activity of the sector. These 1,284 cultural organizations spent, in the aggregate, in 2000, \$146.0 million and earned \$179.0 million in revenue. Since the previous 1996 study, spending and revenue have grown at annual rates of 9.9 percent and 18.3 percent respectively.

Maine has always been New England's most rural state. Its physical size allows it to encompass about half of the entire New England landmass; many parts of Maine are sparsely populated. This has led to a greater prominence in Maine of cultural organizations often found in small towns and rural areas in New England, such as historical societies and libraries. The state's population density in 2000 was 36 persons per square mile, roughly half that of Vermont and one-twentieth that of Rhode Island. In 2000, Maine's per capita personal income of \$25,732 ranked it 34th among the 50 states, but last in New England. Its population in 2000 was 1,274,923, about the same as its neighbor New Hampshire.¹⁸

The Current Study and its Relationship to the 1996 Survey

As noted in the regional summary chapter and Appendix A, the data collection methodology behind this study has been evolving. Our last report, in 1996, gathered information on cultural organizations from two different sources. First, we collected information from the Internal Revenue Service in its Business Master File. The Business Master File reports total income and net assets for organizations that file non-profit returns with the IRS. Second, as in earlier studies, we conducted a direct survey. The survey was used to collect additional financial and related data not available in the Business Master File.

¹⁸Data in this paragraph were obtained from web sites supported by the U. S. Department of Commerce, Bureaus of the Census and Economic Analysis

In Maine, the 1996 survey identified 1,113 cultural organizations. Of these, we obtained income data for 681 from the Business Master File. The income data for each of these organizations was assumed to equal expenses. We obtained survey responses from another 62 organizations. Since we did not ask questions about net assets on our questionnaire, we did not publish any information about assets in that study.

As noted earlier, for this study we extracted financial information from processed IRS Form 990 filings, from our own direct survey, and from the IRS Business Master File. The Form 990 data give us an almost complete accounting of freestanding cultural non-profits with revenue in excess of \$25,000, called **990 filers** in this report.

While the Form 990 contains substantial financial data, it does not contain information on employment, admissions, and taxes paid and collected. To collect these data, we relied on a direct survey. The direct survey was also used to obtain information on other organizations that do not file a Form 990, such as government organizations and embedded organizations. Organizations that responded to our survey are termed **survey responders**.

Finally, we collected income and net asset position information on other organizations from the Business Master File. We relied on the IRS Business Master File to provide data on income and net assets for private, non-profit organizations appearing in this file which were not Form 990 filers or which did not respond to our survey. Since organizations on the Business Master File did not file a Form 990 or complete our survey, they are termed **non-filers and non-responders**. When an organization for which we already had some form of IRS data responded to our survey, we reclassified it as a survey responder.

Before examining the results of the survey work, it is useful to consider the 1,284 organizations we identified as belonging to one of three groups.

First, there are the 990 filers. In the Maine database, there are 250 Form 990 filers. Second, there are 56 survey responders, organizations that completed the on-line survey. Many of these also filed Form 990 returns, but are classified here as survey responders, since we used their reported survey data to contribute to the tables below.

Last are those cultural organizations for which we do not have information from either of the above two sources, the non-filers and non-responders. These are the most numerous, totaling 978 organizations. Of these, information on total income, net assets, and liabilities was available on 259 from the IRS Business

Master File. For the remaining 719 we have no financial information.¹⁹

Naturally, the ability to obtain consistent information from at least one of these three sources renders projections from that information more accurate. The most basic financial information – income, spending, and net assets – is reported by all three groups of organizations; 565 of the 1,284 organizations reported this information. Data on categories of income and spending are available only from 990 filers and survey responders, which number 306 in total. Finally, only the survey responders, which number 56, report information on employment, admissions, and taxes paid and collected. Thus these last categories of information are subject to the greatest error when projecting from the sample to the entire population.

Income, Spending and Net Asset Position

In this section, we report on the income, spending and net asset positions of Maine's cultural organizations. Income and spending are broken into component categories.

TABLE 3.1a: CHANGE IN BASIC FINANCIAL STATUS OF MAINE'S CULTURAL ORGANIZATIONS, 1996-2000 (dollar figures in thousands)				
YEAR	# OF ORGS.	TOTAL SPENDING (000)	TOTAL REVENUE (000)	NET ASSETS (000)
1996	1,113	\$104,602	\$103,304	NA
2000	1,284	\$146,019	\$179,045	\$410,483
ANNUAL % CHANGE	3.8%	9.9%	18.3%	NA
<p>DATA SOURCES: For 2000: Information extracted and prepared from IRS Form 990 filings by the National Center for Charitable Statistics; information from the IRS Business Master File, and an ongoing survey of Maine's non-profit cultural organizations. For 1996: Gregory H. Wassall, and Douglas DeNatale, <i>Arts, Cultural, and Humanities Organizations in the New England Economy</i>, 1996 (Boston: New England Foundation for the Arts, 1997), various tables.</p> <p>DEFINITIONS: Using the NCCS IRS Form 990 data extract, total expenditure is the sum of program, fund-raising, management and general expenses, as well as payments to affiliates, plus the following expenses which are deducted from revenues on the Form: expenses incurred while earning rental income, selling assets, staging special events, and selling goods (i.e., cost of goods sold); total revenue is gross receipts from all sources of income with no expense deductions made. In our 1996 report, total spending is defined as the sum of operating expenses, outside fees, and capital expenses; total revenue is defined as the sum of earned income, unearned income, and endowment income. The definitions derived from the IRS data are chosen in order to make spending and revenue amounts comparable between the two sources of data.</p>				

¹⁹As organizations responded to the survey, they were moved either from the 990 filers group or the non-filers non-responders group into the survey responder group. The total number is the same.

In Table 3.1a we report on overall revenues, spending and net asset position. The information in this table shows the state's cultural organizations grew at a healthy pace in the four years since the last cultural inventory was taken, with revenue growth outpacing spending growth. On an annual basis, the number of organizations increased by 3.8% since the 1996 survey. Total spending is estimated to be \$146 million, and total revenue is estimated to be \$179 million. In the four-year period, total spending grew by 9.9 percent annually, and total revenue grew by 18.3 percent annually. Net assets, which were not estimated in 1996, are estimated in 2000 to be \$410 million.

In Table 3.1b, the same information on revenue, spending and net assets, but on a per organization basis, is presented. This table enables one to get an estimate of the average size of Maine's cultural organizations. Also, by comparing Tables 3.1a and 3.1b, one can determine how much of the spending and revenue growth was due to growth in the number of organizations, or to growth in (or a changing mix of) existing organizations. The growth percentages in Table 3.1b indicate that about half of the overall growth in spending and two-thirds of the overall growth in revenue can be attributed to growth in the average size of a cultural organization in the state. With no prior data on net assets from the 1996 survey, temporal comparisons cannot be made for this category (but will be in future reports). Like those of other New England states, Maine's cultural organizations on average had more revenue than spending in 2000.

TABLE 3.1b: CHANGE IN AVERAGE FINANCIAL SIZE OF MAINE'S CULTURAL ORGANIZATIONS, 1996-2000 (all data are on a per organization basis)				
YEAR	# OF ORGS.	SPENDING PER ORG.	REVENUE PER ORG.	NET ASSETS PER ORG.
1996	1,113	\$93,982	\$92,816	NA
2000	1,284	\$113,722	\$139,443	\$319,691
ANNUAL % CHANGE	3.8%	5.3%	12.5%	NA
DATA SOURCES AND DEFINITIONS: See Table 3.1a.				

The period 1996-2000 represented years of exceptional growth in state, regional, and national economies. It also covered a time when growing stock market wealth led to increased philanthropic activity, and to a healthy growth in state tax revenues. The economic downturn of 2000-2002 and the subsequent period of low growth have led to a reversal in both these trends. It remains to be seen in future reports how Maine's cultural organizations, which are sensitive to tourism, fared during this period.

More detail on revenue is presented in Table 3.2. In that table, revenue is broken into earned and contributed sources. Contributed income is further broken into that received from the private sector (corporations, foundations, and individuals), and from the public sector (federal, state and local government). Combined private and public contributed income accounted for roughly half of total revenues in 2000. The fact that contributed income accounted for a larger share of total income in 2000 than in 1996 (when it was about 30 percent of the total) is more likely due to the different mix of organizations whose financial data was captured in 2000 than to changing trends in sources of support, although the late 1990s were years of growth in philanthropy.

TABLE 3.2: REVENUES OF MAINE CULTURAL ORGANIZATIONS, 2000 (dollar figures in thousands)					
#OF ORGS.	EARNED	CONTRIBUTED		TOTAL	% FROM OUTSIDE ME.
		PRIVATE	GOV'T.		
1,284	\$79,726	\$69,373	\$29,946	\$179,045	24.3%
DATA SOURCES AND DEFINITIONS: See Table 3.1a.					

In Table 3.3, spending is broken into salaries and other expenses. In 2000, salaries accounted for roughly one-third percent of total spending. In 1996, the same category included salaries and fringe benefits, and accounted for a larger share (just over half) of spending. Because the definitions used in each study are not consistent, one cannot determine whether the share of salaries in expenses has fallen or not.²⁰

TABLE 3.3: SPENDING BY MAINE CULTURAL ORGANIZATIONS, 2000 (dollar figures in thousands)			
# OF ORGS.	SALARIES	OTHER EXPENSES	TOTAL SPENDING
1,284	\$49,861	\$96,158	\$146,019
DATA SOURCES AND DEFINITIONS: See Table 3.1a.			

Admissions

In Table 3.4, admissions, both paid and unpaid, are reported. The IRS does not require information on admissions data; thus total paid and unpaid admissions were estimated based on information submitted by the survey organizations.

²⁰Information on salaries comes from both the Form 990 and the survey organizations. Because the Internal Revenue Service requests salary data only on the Form 990, for comparability the same information was requested on our survey instrument as well.

# OF ORGS.	ADMISSIONS:		TOTAL	% FROM OUTSIDE ME:	
	PAID	UNPAID		PAID	UNPAID
1,284	3,520,931	703,118	4,223,509	14.3%	15.5%

DATA SOURCES AND DEFINITIONS: Admissions data are derived from the survey of cultural organizations.

In 2000, 3.5 million persons paid to attend cultural events in the state. Another 700 thousand attended free events. Combined paid and unpaid admissions equaled 4.2 million.²¹ About 14 percent of persons attending paid events were estimated to have come from out of state; about 16 percent of those attending free events were estimated to be non-residents.

Employment and Volunteer Hours

Information on employment and volunteer hours can be found in Table 3.5. The data in this table was derived from information collected from the survey organizations only; the Form 990 does not require reporting of comprehensive employment data. Based on projections from the survey organizations, we estimate that these 1,284 organizations employed about 4,000 persons. Of these, 2,300 were identified as artists. These numbers include both full-time and part-time workers; no attempt was made to distinguish between the two types of worker.

# OF ORGS.	TOTAL EMPLOYMENT	ARTIST EMPLOYMENT	VOLUNTEERS
1,284	4,056	2,338	18,218

DATA SOURCES AND DEFINITIONS: Employment and volunteer data are derived from the survey of cultural organizations.

The number of volunteers donating their time to cultural organizations was estimated to be 18,218. Of these, just under 30 percent were identified as artists.

²¹Though this number may seem unduly large – it represents almost four times the state’s population -- it should be kept in mind that the same person can attend numerous cultural events during the course of a year.

State and Federal Taxes Collected

Although non-profit organizations do not pay taxes, their activities create tax revenues. In the survey questionnaire, information was requested on the amount of employer social security contributions collected and/or paid, and the amount of state sales taxes collected and/or paid. The Form 990 also requests the amount of employer contributions to the payroll tax. Although the goods and services directly provided by these organizations are not taxable, state sales taxes would be levied primarily on their concession sales.

TABLE 3.6: STATE AND FEDERAL TAXES COLLECTED OR WITHHELD BY MAINE CULTURAL ORGANIZATIONS, 2000 (dollar figures in thousands)			
# OF ORGS.	STATE SALES TAXES	FEDERAL PAYROLL TAXES	TOTAL TAXES
1,284	\$402	\$3,294	\$3,696
DATA SOURCES AND DEFINITIONS: Tax data are derived from the survey of cultural organizations. State taxes reported are sales taxes collected. Federal taxes reported are the employer contribution to the payroll tax.			

Overall, the state's cultural organizations reported collecting \$3.3 million in federal payroll taxes and \$0.4 million in state sales taxes.²²

Spending, Revenue and Asset Breakdown by Type of Cultural Organization

In Table 3.7 following this section, the major spending and revenue categories, as well as net assets, are broken into the twelve organizational categories defined in the regional summary chapter. A count of each type of organization in the state is shown in this table as well. Although the most common is the performing arts organization, historical societies and libraries are represented in relatively greater numbers as well. In terms of aggregate spending, revenue, and assets, however, museums were the largest, followed by performing organizations, media organizations, and libraries. The museum's share in total revenue and spending was about one-quarter; they commanded a larger share of assets. Museums reported receiving the most direct private support; libraries, many of which are public, were the largest recipients of government aid.

Economic Impact of Cultural Organization Spending

Estimating total economic impact entails making an estimate of the additional indirect and induced spending caused by initial spending by the state's cultural

²²Although these numbers are somewhat lower than in 1996, in the earlier year we used a more comprehensive definition of taxes. Federal taxes included withholding on income taxes as well as employee contributions to the payroll tax. State taxes included income tax withholding as well as sales taxes collected.

organizations, and adding that amount to the initial spending.²³ Economists argue that only income brought into the region has an economic impact; income that cultural organizations receive from state residents would have been spent inside the state (on other entertainment, perhaps) if these cultural organizations did not exist. Thus, conservatively, these "multiplier effects" of cultural organization spending should be applied only to that percentage of spending financed by income received from out-of-state sources.

It was noted in the section on income that 24.3 percent of total income received by Maine's cultural organizations came from out-of-state sources. Using regional input-output modeling is it possible to estimate the additional indirect and induced spending that this export income creates.²⁴ Maine's cultural organizations are responsible for indirect and induced re-spending of \$65,606,000. The total economic impact of the state's cultural organizations is thus estimated at \$211,625,000.

Conclusion

This chapter shows that Maine's cultural organizations enjoyed considerable financial growth since the 1996 study. Although the organizations identified in both studies are not exact matches, there is sufficient overlap for us to conclude that both existing organizations prospered during the interim and new organizations were formed or at least identified by our data collection.

As noted above, the years since 2000 may not have been as beneficent. As more recent information becomes available, we will update the findings in this report.

²³ The indirect impact refers to further spending by local firms initiated by the direct spending. The induced impact refers to spending by households out of additional income created by the direct and indirect spending.

²⁴ A number of organizations have developed regional input-output models. In this study we use a system developed by The Bureau of Economic Analysis of the Commerce Department, called RIMS II. It generates regional industrial multipliers, which are used to estimate the indirect and induced spending by the state's cultural organizations

TABLE 3.7: SPENDING, INCOME, AND NET ASSETS OF MAINE CULTURAL ORGANIZATIONS, BY ORGANIZATION TYPE, 2000
(in dollars)

ORG. TYPE	# OF ORGS.	PRIVATE CONTRIB.	GOVT. CONTRIB.	OTHER REVENUE	TOTAL REVENUE	TOTAL SPENDING	SALARIES	OTHER SPENDING	NET ASSETS
Ethnic	14	\$30,331	\$507,110	\$16,418	\$510,856	\$511,677	\$141,713	\$370,659	\$468,057
Fair	59	1,556,387	527,366	4,085,068	6,171,286	5,928,506	1,330,601	4,612,499	8,539,600
Historical	285	6,991,029	258,295	8,661,085	16,148,310	10,790,408	3,029,910	7,774,268	53,897,193
Humanities	57	516,479	153,322	2,469,615	3,137,208	3,156,469	1,254,733	1,898,015	7,553,565
Library	138	6,834,602	11,369,630	6,262,713	23,739,689	19,616,028	8,959,216	10,609,254	111,374,307
Media	41	9,556,375	9,741,508	1,847,685	20,696,064	16,081,395	6,077,662	9,991,399	20,467,994
Multi	110	3,525,401	1,246,059	3,668,026	8,465,227	7,157,712	2,248,264	4,913,568	5,576,349
Museum	116	28,602,113	2,807,790	12,895,070	45,225,052	32,314,210	11,160,204	21,151,357	147,053,597
Performing	285	7,371,429	507,202	16,265,969	24,343,478	22,966,572	7,829,339	15,137,507	22,925,256
School	40	1,316,056	82,414	1,898,651	3,337,775	2,525,679	858,046	1,667,725	4,971,646
Service	64	1,558,137	1,722,376	2,502,730	5,688,546	4,982,947	1,765,169	3,216,439	6,872,411
Visual	75	1,514,878	1,023,155	19,152,568	21,581,552	19,987,394	5,206,060	14,815,389	20,783,022
TOTAL	1284	69,373,218	29,946,227	79,725,598	179,045,043	146,018,998	49,860,919	96,158,079	410,482,997

SOURCE: See tables above.

Massachusetts

In 2000, the non-profit segment of the creative economy cluster in Massachusetts, as measured by 6,225 organizations:

- Spent a total of \$2.395 billion, of which \$972.7 million were for salaries, and \$1.422 billion were for other operating expenses.
- Received \$2.647 billion in income, of which \$966.4 million were private contributions, \$177.8 million were government contributions, and \$1.503 billion were earned from all other sources. Of the total, 14.4 percent came from out-of-state sources.
- Provided 39,784 jobs. Counted among these employed persons were 23,750 artists.
- Had 46,453,717 admissions to its events, or about seven times the population of the entire state. About 70 percent were paid admissions.
- Collected and/or paid \$84.2 million in federal social security taxes, and \$7.6 million in state sales taxes.
- Benefited from the help of 98,826 volunteers.

Enhancing the direct spending reported above with the indirect and induced spending on the state's arts, cultural, and humanities organizations financed by sources *outside the state* leads to

- **A total economic impact of \$3.427 billion, including *indirect and induced spending* of \$780 million.**

Introduction

This chapter reports on the economic status of Massachusetts's non-profit cultural organizations in 2000. It includes estimates of total spending, income net assets, admissions, employment and taxes for the state's 6,225 cultural organizations. The research that underlies this report has turned up the most comprehensive tally of all such organizations achieved to date. The number of cultural organizations in 2000 represents a 26.4 percent average annual increase over the number determined in our 1996 study. As we discuss below, more than in the other states this increase is greatly due in part to our increased ability to identify cultural organizations from a range of data sources, as part of an ongoing effort to build a comprehensive regional cultural database. The greater number of cultural organizations and the increased levels of income and spending in comparison to the numbers reported in the 1996 study represents some real growth in the sector, but it mainly represents our increased ability to accurately capture information on size and economic activity of the sector. These 6,225 cultural organizations spent, in the aggregate, in 2000, \$2.395 billion and earned \$2.647 billion in revenue. Since the previous 1996 study, spending and revenue have grown at annual rates of 16.6 percent and 21.3 percent respectively.

Massachusetts has consistently served as the cultural center of New England, and Boston has a worldwide reputation as a cultural mecca, supporting organizations whose size dwarfs others of similar type arrayed throughout the New England region. Only cities such as New York, Chicago, Philadelphia, Los Angeles and Washington possess similar diversity and large size in their most prominent cultural organizations. In addition, the state's population is sufficiently dense and supportive of the arts to permit many vibrant but smaller cultural organizations to locate outside Boston, particularly in the eastern suburbs and the tourist areas. The state's 2000 Census population of 6,349,097 accounts for roughly half of the region's population. Like Connecticut, Massachusetts ranks high in personal income. Its 2000 personal income per capita of \$38,034 placed it third among the 50 states, and second in New England. Like the other two lower tier states, it is densely populated. Its 2000 population density of 602 persons per square mile places it just below Rhode Island and Connecticut, and in fourth place among the 50 states.²⁵

The Current Study and its Relationship to the 1996 Survey

As noted in the regional summary chapter and Appendix A, the data collection methodology behind this study has been evolving. Our last report, in 1996, gathered information on cultural organizations from two different sources. First,

²⁵Data in this paragraph were obtained from web sites supported by the U. S. Department of Commerce, Bureaus of the Census and Economic Analysis.

we collected information from the Internal Revenue Service in its Business Master File. The Business Master File reports total income and net assets for organizations that file non-profit returns with the IRS. Second, as in earlier studies, we conducted a direct survey. The survey was used to collect additional financial and related data not available in the Business Master File.

In Massachusetts, the 1996 survey identified 3,029 cultural organizations. Of these, we obtained income data for 1,818 from the Business Master File. The income data for each of these organizations was assumed to equal expenses. We obtained survey responses from another 373 organizations. Since we did not ask questions about net assets on our questionnaire, we did not publish any information about assets in that study.

As noted earlier, for this study we extracted financial information from processed IRS Form 990 filings, from our own direct survey, and from the IRS Business Master File. The Form 990 data give us an almost complete accounting of freestanding cultural non-profits with revenue in excess of \$25,000, called **990 filers** in this report.

While the Form 990 contains substantial financial data, it does not contain information on employment, admissions, and taxes paid and collected. To collect these data, we relied on a direct survey. The direct survey was also used to obtain information on other organizations that do not file a Form 990, such as government organizations and embedded organizations. Organizations that responded to our survey are termed **survey responders**.

Finally, we collected income and net asset position information on other organizations from the Business Master File. We relied on the IRS Business Master File to provide data on income and net assets for private, non-profit organizations appearing in this file which were not Form 990 filers or which did not respond to our survey. Since organizations on the Business Master File did not file a Form 990 or complete our survey, they are termed **non-filers and non-responders**. When an organization for which we already had some form of IRS data responded to our survey, we reclassified it as a survey responder.

Before examining the results of the survey work, it is useful to consider the 6,225 organizations we identified as belonging to one of three groups.

First, there are the 990 filers. In the Massachusetts database, there are 1,064 Form 990 filers. Second, there are 310 survey responders, organizations that completed the on-line survey. Many of these also filed Form 990 returns, but are classified here as survey responders, since we used their reported survey data to contribute to the tables below.

Last are those cultural organizations for which we do not have information from either of the above two sources, the non-filers and non-responders. These are the most numerous, totaling 4,851 organizations. Of these, information on total income, net assets, and liabilities was available on 837 from the IRS Business Master File. For the remaining 4,014 we have no financial information.²⁶

Naturally, the ability to obtain consistent information from at least one of these three sources renders projections from that information more accurate. The most basic financial information – income, spending, and net assets – is reported by all three groups of organizations; 2,211 of the 6,225 organizations reported this information. Data on categories of income and spending are available only from 990 filers and survey responders, which number 1,374 in total. Finally, only the survey responders, which number 310, report information on employment, admissions, and taxes paid and collected. Thus these last categories of information are subject to the greatest error when projecting from the sample to the entire population.

Finally, a word needs to be said about the very large growth in the number of Massachusetts cultural organizations in this report compared to 1996. In both years this state possessed the greatest number of cultural organizations, but the growth in number in the intervening four years is predominantly due to our ability to identify a more diverse set of organizations, mostly of small financial size. In particular, a large number of libraries have been added, as well as the state's network of local cultural councils.

Income, Spending and Net Asset Position

In this section, we report on the income, spending and net asset positions of Massachusetts's cultural organizations. Income and spending are broken into component categories.

In Table 4.1a below we report on overall revenues, spending and net asset position. The information in this table shows the state's cultural sector growing at a very strong pace in the four years since the last cultural inventory was taken. On an annual basis, the number of organizations increased by 26.4% since the 1996 survey. Total spending is estimated to be \$2.395 billion, and total revenue is estimated to be \$2.647 billion. In the four-year period, total spending grew by 16.6 percent annually, and total revenue grew by 21.3 percent annually. Net assets, which were not estimated in 1996, are estimated in 2000 to be \$7.682

²⁶As organizations responded to the survey, they were moved either from the 990 filers group or the non-filers non-responders group into the survey responder group. The total number is the same.

billion.

Put in a broader context, Massachusetts accounts for about two-thirds of cultural income and spending within the region, and over two-thirds of the value of the assets owned by the region's cultural organizations. Since it was noted that the state contains about half the region's population, these figures highlight its role as a cultural focus for the region, and the importance of its major institutions.

TABLE 4.1a: CHANGE IN BASIC FINANCIAL STATUS OF MASSACHUSETTS CULTURAL ORGANIZATIONS, 1996-2000 (dollar figures in thousands)				
YEAR	# OF ORGS.	TOTAL SPENDING (000)	TOTAL REVENUE (000)	NET ASSETS (000)
1996	3,029	\$1,438,078	\$1,427,977	NA
2000	6,225	\$2,395,194	\$2,647,001	\$7,682,062
ANNUAL % CHANGE	26.4%	16.6%	21.3%	NA
<p>DATA SOURCES: For 2000: Information extracted and prepared from IRS Form 990 filings by the National Center for Charitable Statistics; information from the IRS Business Master File, and an ongoing survey of Massachusetts's non-profit cultural organizations. For 1996: Gregory H. Wassall, and Douglas DeNatale, <i>Arts, Cultural, and Humanities Organizations in the New England Economy</i>, 1996 (Boston: New England Foundation for the Arts, 1997), various tables.</p> <p>DEFINITIONS: Using the NCCS IRS Form 990 data extract, total expenditure is the sum of program, fund-raising, management and general expenses, as well as payments to affiliates, plus the following expenses which are deducted from revenues on the Form: expenses incurred while earning rental income, selling assets, staging special events, and selling goods (i.e., cost of goods sold); total revenue is gross receipts from all sources of income with no expense deductions made. In our 1996 report, total spending is defined as the sum of operating expenses, outside fees, and capital expenses; total revenue is defined as the sum of earned income, unearned income, and endowment income. The definitions derived from the IRS data are chosen in order to make spending and revenue amounts comparable between the two sources of data.</p>				

In Table 4.1b, the same information on revenue, spending and net assets, but on a per organization basis, is presented. This table enables one to get an estimate of the average size of Massachusetts's cultural organizations. Also, by comparing Tables 4.1a and 4.1b, one can determine how much of the spending and revenue growth was due to growth in the number of organizations, or to growth in (or a changing mix of) existing organizations. Because of the addition of a large number of smaller organizations to the database, the spending and revenue of the average cultural organization fell slightly. Despite this, the average size of the state's cultural organizations remains the highest in New England. Comparing the growth rates of income and spending to that of number of organizations implies a strong annual growth in financial size of organizations that were in the tally in both years. With no prior data on net assets from the 1996 survey, temporal comparisons cannot be made for this category (but will be in future reports). Like those of other New England states, Massachusetts's cultural organizations on average had more revenue than spending in 2000.

TABLE 4.1b: CHANGE IN AVERAGE FINANCIAL SIZE OF MASSACHUSETTS CULTURAL ORGANIZATIONS, 1996-2000 (all data are on a per organization basis)				
YEAR	# OF ORGS.	SPENDING PER ORG.	REVENUE PER ORG.	NET ASSETS PER ORG.
1996	3,029	\$474,770	\$471,435	NA
2000	6,225	\$384,708	\$425,153	\$1,233,868
ANNUAL % CHANGE	26.4%	-4.7%	-2.5%	NA
DATA SOURCES AND DEFINITIONS: See Table 4.1a.				

The period 1996-2000 represented years of exceptional growth in state, regional, and national economies. It also covered a time when growing stock market wealth led to increased philanthropic activity, and to a healthy growth in state tax revenues. The economic downturn of 2000-2002 and the subsequent period of low growth and state fiscal distress have led to a reversal in both these trends. It remains to be seen in future reports how the state's cultural organizations fared during this period.

More detail on revenue is presented in Table 4.2. In that table, revenue is broken into earned and contributed sources. Contributed income is further broken into that received from the private sector (corporations, foundations, and individuals), and from the public sector (federal, state and local government). Combined private and public contributed income accounted for over half of total revenues in 2000. Like other states, the Massachusetts data show contributed income accounted for a larger share of total income in 2000 than in 1996. Again, this is likely occurring at least in part because of the different mix of organizations whose financial data was captured in 2000. Some of the differences in the composition of the state's organizations were cited above.

TABLE 4.2: REVENUES OF MASSACHUSETTS CULTURAL ORGANIZATIONS, 2000 (dollar figures in thousands)					
#OF ORGS.	EARNED	CONTRIBUTED		TOTAL	% FROM OUTSIDE MA.
		PRIVATE	GOV'T.		
6,225	\$1,502,849	\$966,396	\$177,756	\$2,647,001	14.4%
DATA SOURCES AND DEFINITIONS: See Table 4.1a. The breakdown of total revenues into categories of revenue is estimated from data provided by Form 990 filers and survey responders.					

In Table 4.3, spending is broken into salaries and other expenses. As in other states the share of spending on salaries is lower in 2000 than in 1996, when the

same category included both salaries and fringe benefits. Because the definitions used in each study are not consistent, one cannot determine whether the share of salaries in expenses has fallen or not.²⁷

TABLE 4.3: SPENDING BY MASSACHUSETTS CULTURAL ORGANIZATIONS, 2000 (dollar figures in thousands)			
# OF ORGS.	SALARIES	OTHER EXPENSES	TOTAL SPENDING
6,225	\$972,704	\$1,422,490	\$2,395,194
DATA SOURCES AND DEFINITIONS: See Table 4.1a. The breakdown of total spending into categories of spending is estimated from data provided by Form 990 filers and survey responders.			

Admissions

In Table 4.4, admissions, both paid and unpaid, are reported. The IRS does not require information on admissions data; thus total paid and unpaid admissions were estimated based on information submitted by the survey organizations.

TABLE 4.4: ADMISSIONS TO MASSACHUSETTS CULTURAL ORGANIZATION EVENTS, 2000					
# OF ORGS.	ADMISSIONS:		TOTAL	% FROM OUTSIDE MA:	
	PAID	UNPAID		PAID	UNPAID
6,225	32,027,025	14,426,692	46,453,717	13.5%	11.5%
DATA SOURCES AND DEFINITIONS: Admissions are estimated from data provided by the survey of cultural organizations.					

In 2000, 32.0 million persons paid to attend cultural events in the state. Another 14.4 million attended free events. Combined paid and unpaid admissions exceeded 46 million.²⁸ About 14 percent of persons attending paid events were estimated to have come from out of state; about 12 percent of those attending free events were estimated to be non-residents.

²⁷Information on salaries comes from both the Form 990 and the survey organizations. Because the Internal Revenue Service requests salary data only on the Form 990, for comparability the same information was requested on our survey instrument as well.

²⁸Though this number may seem unduly large – it represents about seven times the state’s population – it should be kept in mind that the same person can attend numerous cultural events during the course of a year.

Employment and Volunteer Hours

Information on employment and volunteer hours can be found in Table 4.5. The data in this table was derived from information collected from the survey organizations only; the Form 990 does not require reporting of comprehensive employment data. Based on projections from the survey organizations, we estimate that these 6,225 organizations employed about 40,000 persons. Of these, 24,000 were identified as artists. These numbers include both full-time and part-time workers; no attempt was made to distinguish between the two types of worker.

The number of volunteers donating their time to cultural organizations was estimated to be 99,000. Of these, about 30 percent were identified as artists.

TABLE 4.5: EMPLOYMENT AND VOLUNTEER HOURS, MASSACHUSETTS CULTURAL ORGANIZATIONS, 2000			
# OF ORGS.	TOTAL EMPLOYMENT	ARTIST EMPLOYMENT	VOLUNTEERS
6,225	39,784	23,750	98,826
DATA SOURCES AND DEFINITIONS: Employment and volunteer data are estimated from data provided by the survey of cultural organizations.			

State and Federal Taxes Collected

Although non-profit organizations do not pay taxes, their activities create tax revenues. In the survey questionnaire, information was requested on the amount of employer social security contributions collected and/or paid, and the amount of state sales taxes collected and/or paid. The Form 990 also requests the amount of employer contributions to the payroll tax. Although the goods and services directly provided by these organizations are not taxable, state sales taxes would be levied primarily on their concession sales.

TABLE 4.6: STATE AND FEDERAL TAXES COLLECTED OR WITHHELD BY MASSACHUSETTS CULTURAL ORGANIZATIONS, 2000 (dollar figures in thousands)			
# OF ORGS.	STATE SALES TAXES	FEDERAL PAYROLL TAXES	TOTAL TAXES
6,225	\$7,629	\$84,257	\$91,886
DATA SOURCES AND DEFINITIONS: Tax data are derived from the survey of cultural organizations. State taxes reported are sales taxes collected. Federal taxes reported are the employer contribution to the payroll tax.			

In Massachusetts, the state's cultural organizations reported collecting \$84.3 million in federal payroll taxes and \$7.6 million in state sales taxes.²⁹

²⁹Although these numbers are somewhat lower than in 1996, in the earlier year we used a more comprehensive definition of taxes. Federal taxes included withholding on income taxes as well

Spending, Revenue and Asset Breakdown by Type of Cultural Organization

In Table 4.7 following this section, the major spending and revenue categories, as well as net assets, are broken into the twelve organizational categories defined in the regional summary chapter. A count of each type of organization in the state is shown in this table as well. By far the most common is the performing arts organization, which accounts for about a third of the total number of organizations. However, in terms of financial importance museums ranked first in revenue, spending, and net assets. Performing arts and media organizations were second in terms of spending and revenue; in terms of net assets, libraries were second to museums. Media and museums received the greatest amount of private contributed income; libraries and museums ranked first and second in government contributed income.

Economic Impact of Cultural Organization Spending

Estimating total economic impact entails making an estimate of the additional indirect and induced spending caused by initial spending by the state's cultural organizations, and adding that amount to the initial spending.³⁰ Economists argue that only income brought into the region has an economic impact; income that cultural organizations receive from state residents would have been spent inside the state (on other entertainment, perhaps) if these cultural organizations did not exist. Thus, conservatively, these "multiplier effects" of cultural organization spending should be applied only to that percentage of spending financed by income received from out-of-state sources.

It was noted in the section on income that 14.4 percent of total income received by Massachusetts cultural organizations came from out-of-state sources. Using regional input-output modeling is it possible to estimate the additional indirect and induced spending that this export income creates.³¹ Massachusetts cultural organizations are responsible for indirect and induced re-spending of \$779,847,000. The total economic impact of the state's cultural organizations is thus estimated at \$3,426,849,000.

as employee contributions to the payroll tax. State taxes included income tax withholding as well as sales taxes collected.

³⁰ The indirect impact refers to further spending by local firms initiated by the direct spending. The induced impact refers to spending by households out of additional income created by the direct and indirect spending.

³¹ A number of organizations have developed regional input-output models. In this study we use a system developed by The Bureau of Economic Analysis of the Commerce Department, called RIMS II. It generates regional industrial multipliers, which are used to estimate the indirect and induced spending by the state's cultural organizations.

Conclusion

This study shows that Massachusetts's cultural organizations have continued to play a critical role in the economy of the state and region, revealing considerable financial growth since the 1996 study. In addition, we were able to identify a much greater and more diverse number of organizations, over 6,000 throughout the state. Despite the fact that the 1996 and 2000 tallies contain a mix of different organizations, there is sufficient evidence to show that organizations surveyed in 1996 prospered during the interim.

As noted above, the years since 2000 may not have been as beneficent. As more recent information becomes available, we will update the findings in this report.

TABLE 4.7: SPENDING, INCOME, AND NET ASSETS OF MASSACHUSETTS CULTURAL ORGANIZATIONS, BY ORGANIZATION TYPE, 2000 (in dollars)

ORG. TYPE	# OF ORGS.	PRIVATE CONTRIB.	GOVT. CONTRIB.	OTHER REVENUE	TOTAL REVENUE	TOTAL SPENDING	SALARIES	OTHER SPENDING	NET ASSETS
Ethnic	235	\$4,845,684	\$3,032,003	\$22,999,778	\$30,984,213	\$31,179,258	\$17,793,376	\$13,812,971	\$62,688,966
Fair	216	113,794,986	6,517,836	57,423,239	177,025,595	175,257,071	42,096,805	130,740,181	258,922,279
Historical	672	74,176,047	13,887,494	85,514,944	173,607,576	149,351,577	62,747,736	86,778,220	698,004,408
Humanities	262	86,463,885	8,808,227	129,894,831	224,788,084	222,362,106	96,333,848	126,530,245	450,252,181
Library	642	79,050,826	51,784,350	102,192,889	235,040,587	189,549,805	72,554,385	116,627,281	1,287,727,798
Media	233	192,094,862	13,391,967	154,247,683	358,632,870	374,502,203	148,093,459	226,076,286	354,122,251
Multi	435	16,212,628	10,704,164	46,425,161	73,745,550	71,335,048	34,039,150	37,717,846	47,202,985
Museum	354	196,300,354	48,240,499	442,623,655	687,742,922	571,615,272	243,295,759	329,248,308	3,117,043,311
Performing	2056	134,711,520	10,977,304	246,918,792	391,845,916	332,207,858	130,440,017	201,395,645	577,242,893
School	179	18,261,823	1,254,727	168,843,822	188,172,018	181,026,631	98,766,022	84,362,220	522,721,438
Service	654	35,521,279	8,186,846	34,519,610	78,327,678	68,863,593	8,970,848	58,311,736	245,974,934
Visual	287	14,962,377	970,579	11,244,541	27,088,205	27,943,172	17,572,364	10,888,885	60,158,358
TOTAL	6225	966,396,271	177,755,996	1,502,848,945	2,647,001,212	2,395,193,594	972,703,770	1,422,489,824	7,682,061,800

SOURCE: See tables above.

New Hampshire

In 2000, the non-profit segment of the creative economy cluster in New Hampshire, as measured by 1,140 organizations:

- Spent a total of \$99.2 million, of which \$33.3 million were for salaries, and \$65.9 million were for other operating expenses.
- Received \$108.9 million in income, of which \$41.6 million were private contributions, \$10.2 million were government contributions, and \$57.1 million were earned from all other sources. Of the total, 20.1 percent came from out-of-state sources.
- Provided 3,093 jobs. Counted among these employed persons were 2,296 artists.
- Had 4,968,070 admissions to its events, or about four times the population of the entire state. About 75 percent were paid admissions.
- Collected and/or paid \$2.1 million in federal social security taxes. There is no state sales tax in New Hampshire.
- Benefited from the help of 17,793 volunteers.

Enhancing the direct spending reported above with the indirect and induced spending on the state's arts, cultural, and humanities organizations financed by sources *outside the state* leads to

- **A total economic impact of \$136.4 million, including *indirect and induced spending* of \$37.2 million.**

Introduction

This chapter reports on the economic status of New Hampshire's non-profit cultural organizations in 2000. It includes estimates of total spending, income net assets, admissions, employment and taxes for the state's 1,140 cultural organizations. The research that underlies this report has turned up the most comprehensive tally of all such organizations achieved to date. The number of cultural organizations in 2000 represents a 1.9 percent annual average increase over the number tallied in our 1996 study. As we discuss below, this increase is due in part to our increased ability to identify cultural organizations from a range of data sources, as part of an ongoing effort to build a comprehensive regional cultural database. The greater number of cultural organizations and the increased levels of income and spending in comparison to the numbers reported in the 1996 study represents real growth in the sector, but it also represents our increased ability to accurately capture information on size and economic activity of the sector. These 1,140 cultural organizations spent, in the aggregate, in 2000, \$99.2 million and earned \$108.9 million in revenue. Since the previous 1996 study, spending and revenue have grown at annual rates of 6.6 percent and 10.7 percent respectively.

Located between Vermont and Maine, New Hampshire is one of New England's upper tier and more rural states. However, the majority of its population is located in the south; many are an hour's drive or so to Boston. Of the three upper tier states, it probably has the most linkages to the lower tier, especially the Boston metropolitan area. In many ways New Hampshire combines its rural location and setting with a more urban development and economy. Its 2000 population of 1,235,786 is about equal to that of Maine, but located on a much smaller land area. Its population density 132 persons per square mile is almost four times as great as Maine's and about twice that of Vermont, but also is less than one-fifth that of its neighbor to the south, Massachusetts. In 2000, New Hampshire's per capita personal income of \$33,266 ranked it in the top ten states nationally, and behind only Connecticut and Massachusetts in New England. Its reputation as a low-tax haven is widely known.³²

The Current Study and its Relationship to the 1996 Survey

As noted in the regional summary chapter and Appendix A, the data collection methodology behind this study has been evolving. Our last report, in 1996, gathered information on cultural organizations from two different sources. First, we collected information from the Internal Revenue Service in its Business Master File. The Business Master File reports total income and net assets for

³²Data in this paragraph were obtained from web sites supported by the U. S. Department of Commerce, Bureaus of the Census and Economic Analysis

organizations that file non-profit returns with the IRS. Second, as in earlier studies, we conducted a direct survey. The survey was used to collect additional financial and related data not available in the Business Master File.

In New Hampshire, the 1996 survey identified 1,061 cultural organizations. Of these, we obtained income data for 591 from the Business Master File. The income data for each of these organizations was assumed to equal expenses. We obtained survey responses from another 44 organizations. Since we did not ask questions about net assets on our questionnaire, we did not publish any information about assets in that study.

As noted earlier, for this study we extracted financial information from processed IRS Form 990 filings, from our own direct survey, and from the IRS Business Master File. The Form 990 data give us an almost complete accounting of freestanding cultural non-profits with revenue in excess of \$25,000, called **990 filers** in this report.

While the Form 990 contains substantial financial data, it does not contain information on employment, admissions, and taxes paid and collected. To collect these data, we relied on a direct survey. The direct survey was also used to obtain information on other organizations that do not file a Form 990, such as government organizations and embedded organizations. Organizations that responded to our survey are termed **survey responders**.

Finally, we collected income and net asset position information on other organizations from the Business Master File. We relied on the IRS Business Master File to provide data on income and net assets for private, non-profit organizations appearing in this file which were not Form 990 filers or which did not respond to our survey. Since organizations on the Business Master File did not file a Form 990 or complete our survey, they are termed **non-filers and non-responders**. When an organization for which we already had some form of IRS data responded to our survey, we reclassified it as a survey responder.

Before examining the results of the survey work, it is useful to consider the 1,140 organizations we identified as belonging to one of three groups.

First, there are the 990 filers. In the New Hampshire database, there are 150 Form 990 filers. Second, there are 54 survey responders, organizations that completed the on-line survey. Many of these also filed Form 990 returns, but are classified here as survey responders, since we used their reported survey data to contribute to the tables below.

Last are those cultural organizations for which we do not have information from either of the above two sources, the non-filers and non-responders. These are

the most numerous, totaling 936 organizations. Of these, information on total income, net assets, and liabilities was available on 196 from the IRS Business Master File. For the remaining 740 we have no financial information.³³

Naturally, the ability to obtain consistent information from at least one of these three sources renders projections from that information more accurate. The most basic financial information – income, spending, and net assets – is reported by all three groups of organizations; 400 of the 1,140 organizations reported this information. Data on categories of income and spending are available only from 990 filers and survey responders, which number 204 in total. Finally, only the survey responders, which number 54, report information on employment, admissions, and taxes paid and collected. Thus these last categories of information are subject to the greatest error when projecting from the sample to the entire population.

Income, Spending and Net Asset Position

In this section, we report on the income, spending and net asset positions of New Hampshire's cultural organizations. Income and spending are broken into component categories.

In Table 5.1a below we report on overall revenues, spending and net asset position. The information in this table shows the state's cultural organizations growing significantly in the four years since the last cultural inventory was taken, with revenue growth outpacing spending growth. On an annual basis, the number of organizations increased by 1.9% since the 1996 survey. Total spending is estimated to be \$99.2 million, and total revenue is estimated to be \$108.9 million. In the four-year period, total spending grew by 6.6 percent annually, and total revenue grew by 10.7 percent annually. Net assets, which were not estimated in 1996, are estimated in 2000 to be \$262.3 million.

In Table 5.1b, the same information on revenue, spending and net assets, but on a per organization basis, is presented. This table enables one to get an estimate of the average size of New Hampshire's cultural organizations. Also, by comparing Tables 5.1a and 5.1b, one can determine how much of the spending and revenue growth was due to growth in the number of organizations, or to growth in (or a changing mix of) existing organizations. The growth percentages in Table 5.1b indicate that it is likely that the average growth rates reported in this table accurately reflect growth by organizations identified in 1996; the per

³³As organizations responded to the survey, they were moved either from the 990 filers group or the non-filers non-responders group into the survey responder group. The total number is the same.

TABLE 5.1a: CHANGE IN BASIC FINANCIAL STATUS OF NEW HAMPSHIRE CULTURAL ORGANIZATIONS, 1996-2000 (dollar figures in thousands)

YEAR	# OF ORGS.	TOTAL SPENDING (000)	TOTAL REVENUE (000)	NET ASSETS (000)
1996	1,061	\$78,369	\$76,300	NA
2000	1,140	\$99,201	\$108,867	\$262,271
ANNUAL % CHANGE	1.9%	6.6%	10.7%	NA

DATA SOURCES: For 2000: Information extracted and prepared from IRS Form 990 filings by the National Center for Charitable Statistics; information from the IRS Business Master File, and an ongoing survey of New Hampshire's non-profit cultural organizations. For 1996: Gregory H. Wassall, and Douglas DeNatale, *Arts, Cultural, and Humanities Organizations in the New England Economy*, 1996 (Boston: New England Foundation for the Arts, 1997), various tables.

DEFINITIONS: Using the NCCS IRS Form 990 data extract, total expenditure is the sum of program, fund-raising, management and general expenses, as well as payments to affiliates, plus the following expenses which are deducted from revenues on the Form: expenses incurred while earning rental income, selling assets, staging special events, and selling goods (i.e., cost of goods sold); total revenue is gross receipts from all sources of income with no expense deductions made. In our 1996 report, total spending is defined as the sum of operating expenses, outside fees, and capital expenses; total revenue is defined as the sum of earned income, unearned income, and endowment income. The definitions derived from the IRS data are chosen in order to make spending and revenue amounts comparable between the two sources of data.

organization growth rates plus the number of organizations growth rates closely match the total growth rates for both income and spending. With no prior data on net assets from the 1996 survey, temporal comparisons cannot be made for this category (but will be in future reports). Like those of other New England states, New Hampshire's cultural organizations on average had more revenue than spending in 2000.

TABLE 5.1b: CHANGE IN AVERAGE FINANCIAL SIZE OF NEW HAMPSHIRE CULTURAL ORGANIZATIONS, 1996-2000 (all data are on a per organization basis)

YEAR	# OF ORGS.	SPENDING PER ORG.	REVENUE PER ORG.	NET ASSETS PER ORG.
1996	1,061	\$73,863	\$71,913	NA
2000	1,140	\$87,018	\$95,498	\$230,063
ANNUAL % CHANGE	1.9%	4.5%	8.2%	NA

DATA SOURCES AND DEFINITIONS: See Table 5.1a.

The period 1996-2000 represented years of exceptional growth in state, regional, and national economies. It also covered a time when growing stock market wealth led to increased philanthropic activity, and to a healthy growth in state tax revenues. The economic downturn of 2000-2002 and the subsequent period of

low growth have led to a reversal in both these trends. It remains to be seen in future reports how New Hampshire's cultural organizations fared during this period.

More detail on revenue is presented in Table 5.2. In this table, revenue is split into earned and contributed sources. Contributed income is further split into private (corporations, foundations, and individuals), and public (federal, state and local government). Combined private and public contributed income accounted for roughly half of total revenues in 2000, a slightly greater percentage than noted in the 1996 study. This difference is more likely due to the different mix of organizations whose financial data was captured in 2000, and the format in which the information was captured, than to changing trends in sources of support, although the late 1990s were years of growth in philanthropy.

TABLE 5.2: REVENUES OF NEW HAMPSHIRE CULTURAL ORGANIZATIONS, 2000 (dollar figures in thousands)					
#OF ORGS.	EARNED	CONTRIBUTED		TOTAL	% FROM OUTSIDE NH
		PRIVATE	GOV'T.		
1,140	\$57,079	\$41,555	\$10,233	\$108,867	20.1%
DATA SOURCES AND DEFINITIONS: See Table 5.1a. The breakdown of total revenues into categories of revenue is estimated from data provided by Form 990 filers and survey responders.					

In Table 5.3, spending is broken into salaries and other expenses. In 2000, salaries accounted for one-third percent of total spending. In 1996, the same category included salaries and fringe benefits, and accounted for a larger share (almost half) of spending. Because the definitions used in each study are not consistent, one cannot determine whether the share of salaries in expenses has fallen or not.³⁴

TABLE 5.3: SPENDING BY NEW HAMPSHIRE CULTURAL ORGANIZATIONS, 2000 (dollar figures in thousands)			
# OF ORGS.	SALARIES	OTHER EXPENSES	TOTAL SPENDING
1,140	\$33,333	\$65,868	\$99,201
DATA SOURCES AND DEFINITIONS: See Table 5.1a. The breakdown of total spending into categories of spending is estimated from data provided by Form 990 filers and survey responders.			

³⁴Information on salaries comes from both the Form 990 and the survey organizations. Because the Internal Revenue Service requests salary data only on the Form 990, for comparability the same information was requested on our survey instrument as well.

Admissions

In Table 5.4, admissions, both paid and unpaid, are reported. The IRS does not require information on admissions data; thus total paid and unpaid admissions were estimated based on information submitted by the survey organizations.

In 2000, 3.7 million persons paid to attend cultural events in the state. Another 1.3 million attended free events. Combined paid and unpaid admissions equaled 5.0 million.³⁵ About 13 percent of persons attending paid events were estimated to have come from out of state; about 17 percent of those attending free events were estimated to be non-residents.

# OF ORGS.	ADMISSIONS		TOTAL	% FROM OUTSIDE NH	
	PAID	UNPAID		PAID	UNPAID
1,140	3,651,879	1,316,191	4,968,070	13.0%	17.2%

DATA SOURCES AND DEFINITIONS: Admissions are estimated from data provided by the survey of cultural organizations.

Employment and Volunteer Hours

Information on employment and volunteer hours can be found in Table 5.5. The

# OF ORGS.	TOTAL EMPLOYMENT	ARTIST EMPLOYMENT	VOLUNTEERS
1,140	3,093	2,296	17,793

DATA SOURCES AND DEFINITIONS: Employment and volunteer data are estimated from data provided by the survey of cultural organizations.

data in this table was derived from information collected from the survey organizations only; the Form 990 does not require reporting of comprehensive employment data. Based on projections from the survey organizations, we estimate that these 1,140 organizations employed 3,093 persons. Of these, 2,296 were identified as artists. These numbers include both full-time and part-time workers; no attempt was made to distinguish between the two types of

³⁵Though this number may seem unduly large – it represents about four times the state’s population – it should be kept in mind that the same person can attend numerous cultural events during the course of a year.

worker.

The number of volunteers donating their time to cultural organizations was estimated to be 17,793. Of these, 25 percent were identified as artists.

State and Federal Taxes Collected

Although non-profit organizations do not pay taxes, their activities create tax revenues. In the survey questionnaire, information was requested on the amount of employer social security contributions collected and/or paid, and the amount of state sales taxes collected and/or paid. The Form 990 also requests the amount of employer contributions to the payroll tax. Although the goods and services directly provided by these organizations are not taxable, state sales taxes would be levied primarily on their concession sales.

TABLE 5.6: STATE AND FEDERAL TAXES COLLECTED OR WITHHELD BY NEW HAMPSHIRE CULTURAL ORGANIZATIONS, 2000 (dollar figures in thousands)			
# OF ORGS.	STATE SALES TAXES	FEDERAL PAYROLL TAXES	TOTAL TAXES
1,140	\$0	\$2,121	\$2,121
DATA SOURCES AND DEFINITIONS: Tax data are derived from the survey of cultural organizations. State taxes reported are sales taxes collected. Federal taxes reported are the employer contribution to the payroll tax.			

The results are shown in Table 5.6. Overall, the state's cultural organizations reported collecting \$2.1 million in federal payroll taxes. Consistent with its low tax image, the state does not have a sales tax.³⁶

Spending, Revenue and Asset Breakdown by Type of Cultural Organization

In Table 5.7 following this section, the major spending and revenue categories, as well as net assets, are broken into the twelve organizational categories defined in the regional summary chapter. A count of each type of organization in the state is shown in this table as well. As with other states, the largest in number is the performing arts organization. Consistent with the upper tier states, historical societies are the second most frequently observed. In terms of budget size, performing organizations had the greatest aggregate income and spending, with museums and historical societies following. Museums and historical societies had the greatest value of assets. Museums received more private

³⁶Although these numbers are somewhat lower than in 1996, in the earlier year we used a more comprehensive definition of taxes. Federal taxes included withholding on income taxes as well as employee contributions to the payroll tax. State taxes included income tax withholding as well as sales taxes collected.

contributions than any other type; service organizations received the greatest amount of government contributions.

Economic Impact of Cultural Organization Spending

Estimating total economic impact entails making an estimate of the additional indirect and induced spending caused by initial spending by the state's cultural organizations, and adding that amount to the initial spending.³⁷ Economists argue that only income brought into the region has an economic impact; income that cultural organizations receive from state residents would have been spent inside the state (on other entertainment, perhaps) if these cultural organizations did not exist. Thus, conservatively, these "multiplier effects" of cultural organization spending should be applied only to that percentage of spending financed by income received from out-of-state sources.

It was noted in the section on income that 20.1 percent of total income received by New Hampshire's cultural organizations came from out-of-state sources. Using regional input-output modeling is it possible to estimate the additional indirect and induced spending that this export income creates.³⁸ New Hampshire's cultural organizations are responsible for indirect and induced re-spending of \$37,176,000. The total economic impact of the state's cultural organizations is thus estimated at \$136,377,300.

Conclusion

This chapter shows that New Hampshire's cultural organizations enjoyed substantial financial growth since the 1996 study. Although the organizations identified in both studies are not exact matches, there is sufficient overlap for us to conclude that both existing organizations prospered during the interim and that new organizations were formed or at least identified by our data collection, and contributed to the total.

As noted earlier, the years since 2000 may not have been as beneficent. As more recent information becomes available, we will update the findings in this report.

³⁷ The indirect impact refers to further spending by local firms initiated by the direct spending. The induced impact refers to spending by households out of additional income created by the direct and indirect spending.

³⁸ A number of organizations have developed regional input-output models. In this study we use a system developed by The Bureau of Economic Analysis of the Commerce Department, called RIMS II. It generates regional industrial multipliers, which are used to estimate the indirect and induced spending by the state's cultural organizations

TABLE 5.7: SPENDING, INCOME, AND NET ASSETS OF NEW HAMPSHIRE CULTURAL ORGANIZATIONS, BY ORGANIZATION TYPE, 2000 (in dollars)

ORG. TYPE	# OF ORGS.	PRIVATE CONTRIB.	GOVT. CONTRIB.	OTHER REVENUE	TOTAL REVENUE	TOTAL SPENDING	SALARIES	OTHER SPENDING	NET ASSETS
Ethnic	22	\$170,040	\$0	\$577,172	\$744,906	\$737,285	\$224,748	\$511,437	\$524,051
Fair	61	1,365,760	14,915	3,712,545	5,085,453	5,007,495	1,043,122	3,933,777	4,010,015
Historical	224	7,007,300	1,375,607	8,195,734	16,612,742	15,655,826	4,604,321	11,020,108	49,359,706
Humanities	31	1,338,072	1,256,720	395,421	2,964,762	2,661,411	412,423	2,225,934	3,439,987
Library	136	1,621,792	856,405	3,684,110	6,122,861	5,220,585	1,627,821	3,586,718	13,587,384
Media	28	4,762,234	490,370	1,832,689	7,175,636	7,068,380	3,267,974	3,843,130	2,489,343
Multi	90	2,022,240	293,078	5,337,534	7,630,662	7,960,090	2,962,987	5,010,898	31,225,294
Museum	72	10,780,516	2,306,710	8,432,414	21,615,038	18,208,661	6,023,670	12,180,463	52,731,611
Performing	316	7,211,312	348,992	13,221,381	20,807,240	20,514,996	5,871,416	14,594,688	17,397,714
School	28	1,689,719	55,916	3,737,091	5,481,990	4,593,535	2,974,169	1,687,820	38,607,911
Service	61	1,518,029	3,115,814	962,653	5,482,219	4,671,476	1,717,611	2,960,944	3,255,702
Visual	71	2,068,128	118,420	6,990,420	9,143,741	6,901,208	2,602,259	4,312,508	45,642,625
TOTAL	1140	41,555,141	10,232,946	57,079,164	108,867,251	99,200,948	33,332,521	65,868,427	262,271,342

SOURCE: See tables above.

Rhode Island

In 2000, the non-profit segment of the creative economy cluster in Rhode Island, as measured by 848 organizations:

- Spent a total of \$241.1 million, of which \$100.2 million were for salaries, and \$140.9 million were for other operating expenses.
- Received \$282.7 million in income, of which \$55.8 million were private contributions, \$21.0 million were government contributions, and \$205.9 million were earned from all other sources. Of the total, 16.9 percent came from out-of-state sources.
- Provided 8,703 jobs. Counted among these employed persons were 6,124 artists.
- Had 4,731,616 admissions to its events, or almost five times the population of the entire state. About 77 percent were paid admissions.
- Collected and/or paid \$7.1 million in federal social security taxes, and \$2.6 million in state sales taxes.
- Benefited from the help of 22,446 volunteers.

Enhancing the direct spending reported above with the indirect and induced spending on the state's arts, cultural, and humanities organizations financed by sources *outside the state* leads to

- **A total economic impact of \$316.8 million, including *indirect and induced spending* of \$75.7 million.**

Introduction

This chapter reports on the economic status of Rhode Island's non-profit cultural organizations in 2000. It includes estimates of total spending, income net assets, admissions, employment and taxes for the state's 848 cultural organizations. The research that underlies this report has attempted to comprehensively tally of all such organizations in the state. The number of cultural organizations in 2000 represents a 3.9 percent average annual decrease over the number determined in our 1996 study. The decline is most likely due to smaller organizations not showing up in our sources rather than actual disappearance from the cultural landscape. Thus the growth in the financial numbers is all the more dramatic, coming from a smaller number of cultural organizations. However, the largest and most prominent were accounted for in both surveys. These 848 cultural organizations spent, in the aggregate, in 2000, \$284 million and earned \$333 million in revenue. Since the previous 1996 study, spending and revenue have grown at annual rates of 23.9 percent and 27.2 percent respectively.

Rhode Island belongs to New England's lower tier states, and resembles the other two in many respects, particularly in its urban character. Initially, it did not seem to benefit as much as the others from the economic growth of the 1990s, but has begun to catch up in recent years. It also is undergoing a self-described cultural renaissance, which may account for part of the strong growth observed in this chapter. Although its per capita income is not as high as that of Connecticut or Massachusetts, it has consistently ranked among the top twenty states. Its 2000 per capita income of \$29,257 placed it fourth in New England. It is the second most densely populated state, trailing only New Jersey. Its 2000 population was 1,048,319, and its density was 679 persons per square mile.³⁹

The Current Study and its Relationship to the 1996 Survey

As noted in the regional summary chapter and Appendix A, the data collection methodology behind this study has been evolving. Our last report, in 1996, gathered information on cultural organizations from two different sources. First, we collected information from the Internal Revenue Service in its Business Master File. The Business Master File reports total income and net assets for organizations that file non-profit returns with the IRS. Second, as in earlier studies, we conducted a direct survey. The survey was used to collect additional financial and related data not available in the Business Master File.

In Rhode Island, the 1996 survey identified 1,004 cultural organizations. Of these, we obtained total income data for 424 from the Business Master File. The

³⁹Data in this paragraph were obtained from web sites supported by the U. S. Department of Commerce, Bureaus of the Census and Economic Analysis.

income data for each of these organizations was assumed to equal expenses. We obtained survey responses from another 40 organizations. Since we did not ask questions about net assets on our questionnaire, we did not publish any information about assets in that study.

As noted earlier, for this study we extracted financial information from processed IRS Form 990 filings, from our own direct survey, and from the IRS Business Master File. The Form 990 data give us an almost complete accounting of freestanding cultural non-profits with revenue in excess of \$25,000, called **990 filers** in this report.

While the Form 990 contains substantial financial data, it does not contain information on employment, admissions, and taxes paid and collected. To collect these data, we relied on a direct survey. The direct survey was also used to obtain information on other organizations that do not file a Form 990, such as government organizations and embedded organizations. Organizations that responded to our survey are termed **survey responders**.

Finally, we collected income and net asset position information on other organizations from the Business Master File. We relied on the IRS Business Master File to provide data on income and net assets for private, non-profit organizations appearing in this file which were not Form 990 filers or which did not respond to our survey. Since organizations on the Business Master File did not file a Form 990 or complete our survey, they are termed **non-filers and non-responders**. When an organization for which we already had some form of IRS data responded to our survey, we reclassified it as a survey responder.

Before examining the results of the survey work, it is useful to consider the 848 organizations we identified as belonging to one of three groups.

First, there are the 990 filers. In the Rhode Island database, there are 159 Form 990 filers. Second, there are 44 survey responders, organizations that completed the on-line survey. Many of these also filed Form 990 returns, but are classified here as survey responders, since we used their reported survey data to contribute to the tables below.

Last are those cultural organizations for which we do not have information from either of the above two sources, the non-filers and non-responders. These are the most numerous, totaling 645 organizations. Of these, information on total income, net assets, and liabilities was available on 111 from the IRS Business Master File. For the remaining 534 we have no financial information.⁴⁰

⁴⁰As organizations responded to the survey, they were moved either from the 990 filers group or

Naturally, the ability to obtain consistent information from at least one of these three sources makes projections from that information more accurate. The most basic financial information – income, spending, and net assets – is reported by all three groups of organizations; 314 of the 848 organizations reported this information. Data on categories of income and spending are available only from 990 filers and survey responders, which number 203 in total. Finally, only the survey responders, which number 44, report information on employment, admissions, and taxes paid and collected. Thus these last categories of information are subject to the greatest error when projecting from the sample to the entire population.

Income, Spending and Net Asset Position

In this section, we report on the income, spending and net asset positions of Rhode Island’s cultural organizations. Income and spending are broken into component categories.

TABLE 6.1a: CHANGE IN BASIC FINANCIAL STATUS OF RHODE ISLAND CULTURAL ORGANIZATIONS, 1996-2000 (dollar figures in thousands)				
YEAR	# OF ORGS.	TOTAL SPENDING (000)	TOTAL REVENUE (000)	NET ASSETS (000)
1996	1,004	\$145,923	\$160,417	NA
2000	848	\$241,051	\$282,692	\$720,980
ANNUAL % CHANGE	-3.9%	16.3%	19.0%	NA

DATA SOURCES: For 2000: Information extracted and prepared from IRS Form 990 filings by the National Center for Charitable Statistics; information from the IRS Business Master File, and an ongoing survey of Rhode Island’s non-profit cultural organizations. For 1996: Gregory H. Wassall, and Douglas DeNatale, *Arts, Cultural, and Humanities Organizations in the New England Economy*, 1996 (Boston: New England Foundation for the Arts, 1997), various tables.

DEFINITIONS: Using the NCCS IRS Form 990 data extract, total expenditure is the sum of program, fund-raising, management and general expenses, as well as payments to affiliates, plus the following expenses which are deducted from revenues on the Form: expenses incurred while earning rental income, selling assets, staging special events, and selling goods (i.e., cost of goods sold); total revenue is gross receipts from all sources of income with no expense deductions made. In our 1996 report, total spending is defined as the sum of operating expenses, outside fees, and capital expenses; total revenue is defined as the sum of earned income, unearned income, and endowment income. The definitions derived from the IRS data are chosen in order to make spending and revenue amounts comparable between the two sources of data.

In Table 6.1a we report on overall revenues, spending and net asset position. The information in this table shows the state’s cultural “industry” growing at a

the non-filers non-responders group into the survey responder group. The total number is the same.

very healthy pace in the four years since the last cultural inventory was taken, confirming the large annual growth rates that were noted in interim annual reports. As noted, on an annual basis, the number of organizations decreased by 3.9% since the 1996 survey. Total spending is estimated to be \$284.2 million, and total revenue is estimated to be \$333.3 million. In the four-year period, total spending grew by 23.9 percent annually, and total revenue grew by 27.2 percent annually. Net assets, which were not estimated in 1996, are estimated in 2000 to be \$850 million.

In Table 6.1b, the same information on revenue, spending and net assets, but on a per organization basis, is presented. This table enables one to get an estimate of the average size of Rhode Island's cultural organizations. Also, by comparing Tables 6.1a and 6.1b, one can determine how much of the spending and revenue growth was due to a change in the number of organizations, or to growth in or a changing mix of existing organizations. Since the organizational count is down since 1996, the growth percentages in Table 6.1b obviously show that existing organizations grew, on average, at even a faster rate. The average size of Rhode Island's cultural organizations, as measured by income, spending, and net assets, places them just below those of Connecticut. With no prior data on net assets from the 1996 survey, temporal comparisons cannot be made for this category (but will be in future reports). Like those of other New England states, Rhode Island's cultural organizations on average had more revenue than spending in 2000.

TABLE 6.1b: CHANGE IN AVERAGE FINANCIAL SIZE OF RHODE ISLAND CULTURAL ORGANIZATIONS, 1996-2000 (all data are on a per organization basis)				
YEAR	# OF ORGS.	SPENDING PER ORG.	REVENUE PER ORG.	NET ASSETS PER ORG.
1996	1,004	\$145,342	\$159,788	NA
2000	848	\$284,259	\$333,363	\$850,212
ANNUAL % CHANGE	-3.9%	23.9%	27.2%	NA
DATA SOURCES AND DEFINITIONS: See Table 6.1a.				

The period 1996-2000 represented years of exceptional growth in state, regional, and national economies, especially in Rhode Island. It also covered a time when growing stock market wealth led to increased philanthropic activity, and to a healthy growth in state tax revenues. The economic downturn of 2000-2002 and the subsequent period of low growth have led to a reversal in both these trends. It remains to be seen in future reports how the state's cultural organizations fared during this period.

More detail on revenue is presented in Table 6.2. In that table, revenue is broken into earned and contributed sources. Contributed income is further broken into that received from the private sector (corporations, foundations, and individuals), and from the public sector (federal, state and local government). Combined private and public contributed income accounted for about 27 percent of total revenues in 2000, roughly the same percentage as in 1996.

TABLE 6.2: REVENUES OF RHODE ISLAND CULTURAL ORGANIZATIONS, 2000 (dollar figures in thousands)					
#OF ORGS.	EARNED	CONTRIBUTED		TOTAL	% FROM OUTSIDE RI
		PRIVATE	GOV'T.		
848	\$205,881	\$55,854	\$20,957	\$282,692	16.9%
DATA SOURCES AND DEFINITIONS: See Table 6.1a. The breakdown of total revenues into categories of revenue is estimated from data provided by Form 990 filers and survey responders.					

In Table 6.3, spending is broken into salaries and other expenses. In 2000, salaries accounted for roughly 40 percent of total spending. As in other states, this is a lower percentage than recorded in 1996. As noted however, the same category in 1996 included salaries and fringe benefits. Because the definitions used in each study are not consistent, one cannot determine whether the share of salaries in expenses has fallen or not.⁴¹

TABLE 6.3: SPENDING BY RHODE ISLAND CULTURAL ORGANIZATIONS, 2000 (dollar figures in thousands)			
# OF ORGS.	SALARIES	OTHER EXPENSES	TOTAL SPENDING
848	\$100,201	\$140,850	\$241,051
DATA SOURCES AND DEFINITIONS: See Table 6.1a. The breakdown of total spending into categories of spending is estimated from data provided by Form 990 filers and survey responders.			

Admissions

In Table 6.4, admissions, both paid and unpaid, are reported. The IRS does not require information on admissions data; thus total paid and unpaid admissions were estimated based on information submitted by the survey organizations.

In 2000, 3.6 million persons paid to attend cultural events in the state. Another

⁴¹Information on salaries comes from both the Form 990 and the survey organizations. Because the Internal Revenue Service requests salary data only on the Form 990, for comparability the same information was requested on our survey instrument as well.

1.1 million attended free events. Combined paid and unpaid admissions exceeded 4.7 million.⁴² About 16 percent of persons attending paid events were estimated to have come from out of state; about 15 percent of those attending free events were estimated to be non-residents.

TABLE 6.4: ADMISSIONS TO RHODE ISLAND CULTURAL ORGANIZATION EVENTS, 2000					
# OF ORGS.	ADMISSIONS		TOTAL	% FROM OUTSIDE RI	
	PAID	UNPAID		PAID	UNPAID
848	3,656,214	1,075,412	4,731,616	15.7%	14.9%
DATA SOURCES AND DEFINITIONS: Admissions are estimated from data provided by the survey of cultural organizations.					

Employment and Volunteer Hours

Information on employment and volunteer hours is found in Table 6.5. The data in this table were derived from information collected from the survey organizations only; the Form 990 does not require reporting of comprehensive employment data. Based on projections from the survey organizations, we estimate that these 848 organizations employed about 8,700 persons, or slightly over 10 paid employees per organization. Of these, 6,100 were identified as artists. These numbers include both full-time and part-time workers; no attempt was made to distinguish between the two types of worker.

TABLE 6.5: EMPLOYMENT AND VOLUNTEER HOURS, RHODE ISLAND CULTURAL ORGANIZATIONS, 2000			
# OF ORGS.	TOTAL EMPLOYMENT	ARTIST EMPLOYMENT	VOLUNTEERS
848	8,703	6,124	22,446
DATA SOURCES AND DEFINITIONS: Employment and volunteer data are estimated from data provided by the survey of cultural organizations.			

The number of volunteers donating their time to cultural organizations was estimated to be 22,400. Of these, about a third were identified as artists.

State and Federal Taxes Collected

Although non-profit organizations do not pay taxes, their activities create tax

⁴²Though this number may seem unduly large – it represents about four times the state’s population – it should be kept in mind that the same person can attend numerous cultural events during the course of a year.

revenues. In the survey questionnaire, information was requested on the amount of employer social security contributions collected and/or paid, and the amount of state sales taxes collected and/or paid. The Form 990 also requests the amount of employer contributions to the payroll tax. Although the goods and services directly provided by these organizations are not taxable, state sales taxes would be levied primarily on their concession sales.

Overall, Table 6.6 shows that the state's cultural organizations reported collecting \$7.1 million in federal payroll taxes and \$2.6 million in state sales taxes.⁴³

TABLE 6.6: STATE AND FEDERAL TAXES COLLECTED OR WITHHELD BY RHODE ISLAND CULTURAL ORGANIZATIONS, 2000 (dollar figures in thousands)			
# OF ORGS.	STATE SALES TAXES	FEDERAL PAYROLL TAXES	TOTAL TAXES
848	\$2,650	\$7,077	\$9,727
DATA SOURCES AND DEFINITIONS: Tax data are derived from the survey of cultural organizations. State taxes reported are sales taxes collected. Federal taxes reported are the employer contribution to the payroll tax.			

Spending, Revenue and Asset Breakdown by Type of Cultural Organization

In Table 6.7 following this section, the major spending and revenue categories, as well as net assets, are broken into the twelve organizational categories defined in the regional summary chapter. A count of each type of organization in the state is shown in this table as well. Compared to the other states, Rhode Island's cultural makeup is more equal and diverse, with no organization type accounting for more than 28 percent of the total. Nevertheless, as in other states, the largest in number is the performing arts organization, followed by the library. On a total spending and total income basis, the largest group is schools, followed by performing arts organizations. Schools, followed by libraries, had the most assets in dollar value. Libraries, many of which are public, benefited the most from government-contributed income, and libraries, museums, performing arts organizations and schools benefited roughly equally from private contributions.

Economic Impact of Cultural Organization Spending

Estimating total economic impact entails making an estimate of the additional

⁴³Although these numbers are somewhat lower than in 1996, in the earlier year we used a more comprehensive definition of taxes. Federal taxes included withholding on income taxes as well as employee contributions to the payroll tax. State taxes included income tax withholding as well as sales taxes collected.

indirect and induced spending caused by initial spending by the state's cultural organizations, and adding that amount to the initial spending.⁴⁴ Economists argue that only income brought into the region has an economic impact; income that cultural organizations receive from state residents would have been spent inside the state (on other entertainment, perhaps) if these cultural organizations did not exist. Thus, conservatively, these "multiplier effects" of cultural organization spending should be applied only to that percentage of spending financed by income received from out-of-state sources.

It was noted in the section on income that 16.9 percent of total income received by Rhode Island's cultural organizations came from out-of-state sources. Using regional input-output modeling is it possible to estimate the additional indirect and induced spending that this export income creates.⁴⁵ Rhode Island cultural organizations are responsible for indirect and induced re-spending of \$75,714,000. The total economic impact of the state's cultural organizations is thus estimated at \$316,766,000.

Conclusion

This study paints a positive portrait of Rhode Island's cultural organizations, revealing considerable financial growth since the 1996 study. Although the organizations identified in both studies are not exact matches, there is sufficient overlap for us to conclude that existing organizations prospered during the interim; some new organizations were created despite several dropping from the master list.

As noted above, the years since 2000 may not have been as beneficent. As more recent information becomes available, we will update the findings in this report.

⁴⁴ The indirect impact refers to further spending by local firms initiated by the direct spending. The induced impact refers to spending by households out of additional income created by the direct and indirect spending.

⁴⁵ A number of organizations have developed regional input-output models. In this study we use a system developed by The Bureau of Economic Analysis of the Commerce Department, called RIMS II. It generates regional industrial multipliers, which are used to estimate the indirect and induced spending by the state's cultural organizations.

TABLE 6.7: SPENDING, INCOME, AND NET ASSETS OF RHODE ISLAND CULTURAL ORGANIZATIONS, BY ORGANIZATION TYPE, 2000 (in dollars)

ORG. TYPE	# OF ORGS.	PRIVATE CONTRIB.	GOVT. CONTRIB.	OTHER REVENUE	TOTAL REVENUE	TOTAL SPENDING	SALARIES	OTHER SPENDING	NET ASSETS
Ethnic	39	\$408,321	\$111,810	\$1,066,687	\$1,596,377	\$1,675,976	\$962,698	\$722,122	\$17,043,835
Fair	31	1,472,588	0	742,012	2,283,966	2,322,855	422,828	1,881,984	517,013
Historical	88	4,902,588	1,459,200	21,808,855	27,870,621	27,306,949	11,784,084	15,537,259	74,113,282
Humanities	32	138,000	4,324	4,929,394	4,836,781	4,288,996	690,256	3,562,418	30,301,977
Library	111	9,547,367	8,687,135	7,348,243	28,494,927	25,453,518	11,326,047	14,152,252	126,709,783
Media	36	1,986,999	242,274	4,780,870	6,987,173	6,987,173	3,827,330	4,807,661	4,895,070
Multi	50	3,810,389	3,112,900	3,417,752	11,373,519	11,256,193	2,809,276	8,384,759	8,627,580
Museum	54	8,047,250	1,023,425	10,796,606	20,214,656	16,609,770	8,866,848	7,808,161	62,613,561
Performing	238	8,157,954	2,010,297	40,255,686	49,602,106	47,068,373	12,730,340	34,110,801	41,459,862
School	44	11,116,091	328,750	102,934,175	110,139,292	77,421,072	38,874,395	38,769,132	323,191,349
Service	63	2,734,559	1,798,385	2,849,346	7,973,615	7,497,463	2,731,215	4,753,436	19,019,984
Visual	62	3,532,348	2,178,185	4,951,217	11,318,952	11,523,329	5,176,238	6,359,929	12,486,216
TOTAL	848	55,854,454	20,956,686	205,880,843	282,691,983	239,411,669	100,201,554	140,849,914	720,979,512

SOURCE: See tables above.

Vermont

In 2000, the non-profit segment of the creative economy cluster in Vermont, as measured by 1,306 organizations:

- Spent a total of \$118.8 million, of which \$38.6 million were for salaries, and \$80.2 million were for other operating expenses.
- Received \$152.1 million in income, of which \$71.7 million were private contributions, \$24.8 million were government contributions, and \$55.6 million were earned from all other sources. Of the total, 17.7 percent came from out-of-state sources.
- Provided 5,289 jobs. Counted among these employed persons were 3,480 artists.
- Had 5,918,522 admissions to its events, or over nine times the population of the entire state. About 50 percent were paid admissions.
- Collected and/or paid \$2.8 million in federal social security taxes, and \$0.1 million in state sales taxes.
- Benefited from the help of 21,108 volunteers.

Enhancing the direct spending reported above with the indirect and induced spending on the state's arts, cultural, and humanities organizations financed by sources *outside the state* leads to

- **A total economic impact of \$156.2 million, including *indirect and induced spending* of \$37.4 million.**

Introduction

This chapter reports on the economic status of Vermont's non-profit cultural organizations in 2000. It includes estimates of total spending, income net assets, admissions, employment and taxes for the state's 1,306 cultural organizations. The research that underlies this report has turned up the most comprehensive tally of all such organizations achieved to date. The number of cultural organizations in 2000 represents a 4.4 percent annual average decrease over the number determined in our 1996 study. This reduction seems to be principally due to elimination of many very small organizations that don't show up in other data sources, and as such has very little impact on the numbers discussed in this chapter. Nevertheless, we feel that this set of organizations reflects our increased ability to accurately capture information on size and economic activity of the sector. These 1,306 cultural organizations spent, in the aggregate, in 2000, \$118.8 million and earned \$152.1 million in revenue. Since the previous 1996 study, spending and revenue have grown at annual rates of 17.4 percent and 30.2 percent respectively.

Vermont is second only to Maine as New England's most rural state. It has the smallest population of any New England state, and probably has the highest proportion of part-time residents. Its indigenous population plus many vacationers and visitors have stimulated a vibrant cultural sector, currently showing rapid development. Its profile of cultural organizations reflects those of the other upper tier states. In 2000, the Census reported a population of 608,827 in Vermont. Its population density in that year was 63 persons per square mile, half that of New Hampshire. Its per capita personal income was \$27,465, placing it fifth of the six New England states, but nevertheless landing it in the top 25 states nationally.⁴⁶

The Current Study and its Relationship to the 1996 Survey

As noted in the regional summary chapter and Appendix A, the data collection methodology behind this study has been evolving. Our last report, in 1996, gathered information on cultural organizations from two different sources. First, we collected information from the Internal Revenue Service in its Business Master File. The Business Master File reports total income and net assets for organizations that file non-profit returns with the IRS. Second, as in earlier studies, we conducted a direct survey. The survey was used to collect additional financial and related data not available in the Business Master File.

In Vermont, the 1996 survey identified 1,588 cultural organizations. Of these, we

⁴⁶Data in this paragraph were obtained from web sites supported by the U. S. Department of Commerce, Bureaus of the Census and Economic Analysis.

obtained income data for 258 from the Business Master File. The income data for each of these organizations was assumed to equal expenses. We obtained survey responses from another 98 organizations.⁴⁷ Since we did not ask questions about net assets on our questionnaire, we did not publish any information about assets in that study.

As noted earlier, for this study we extracted financial information from processed IRS Form 990 filings, from our own direct survey, and from the IRS Business Master File. The Form 990 data give us an almost complete accounting of freestanding cultural non-profits with revenue in excess of \$25,000, called **990 filers** in this report.

While the Form 990 contains substantial financial data, it does not contain information on employment, admissions, and taxes paid and collected. To collect these data, we relied on a direct survey. The direct survey was also used to obtain information on other organizations that do not file a Form 990, such as government organizations and embedded organizations. Organizations that responded to our survey are termed **survey responders**.

Finally, we collected income and net asset position information on other organizations from the Business Master File. We relied on the IRS Business Master File to provide data on income and net assets for private, non-profit organizations appearing in this file which were not Form 990 filers or which did not respond to our survey. Since organizations on the Business Master File did not file a Form 990 or complete our survey, they are termed **non-filers and non-responders**. When an organization for which we already had some form of IRS data responded to our survey, we reclassified it as a survey responder.

Before examining the results of the survey work, it is useful to consider the 1,306 organizations we identified as belonging to one of three groups.

First, there are the 990 filers. In the Vermont database, there are 167 Form 990 filers. Second, there are 64 survey responders, organizations that completed the on-line survey. Many of these also filed Form 990 returns, but are classified here as survey responders, since we used their reported survey data to contribute to the tables below.

Last are those cultural organizations for which we do not have information from either of the above two sources, the non-filers and non-responders. These are the most numerous, totaling 1,075 organizations. Of these, information on total

⁴⁷In Vermont, organizations were added to the database that were in the state arts agency's records, but not in the IRS Master Business File.

income, net assets, and liabilities was available on 171 from the IRS Business Master File. For the remaining 904 we have no financial information.⁴⁸

Naturally, the ability to obtain consistent information from at least one of these three sources renders projections from that information more accurate. The most basic financial information – income, spending, and net assets – is reported by all three groups of organizations; 402 of the 1,306 organizations reported this information. Data on categories of income and spending are available only from 990 filers and survey responders, which number 231 in total. Finally, only the survey responders, which number 64, report information on employment, admissions, and taxes paid and collected. Thus these last categories of information are subject to the greatest error when projecting from the sample to the entire population.

Income, Spending and Net Asset Position

In this section, we report on the income, spending and net asset positions of Vermont's cultural organizations. Income and spending are broken into component categories.

TABLE 7.1a: CHANGE IN BASIC FINANCIAL STATUS OF VERMONT'S CULTURAL ORGANIZATIONS, 1996-2000 (dollar figures in thousands)				
YEAR	# OF ORGS.	TOTAL SPENDING (000)	TOTAL REVENUE (000)	NET ASSETS (000)
1996	1,588	\$70,121	\$68,828	NA
2000	1,306	\$118,811	\$152,070	\$246,799
ANNUAL % CHANGE	-4.4%	17.4%	30.2%	NA

DATA SOURCES: For 2000: Information extracted and prepared from IRS Form 990 filings by the National Center for Charitable Statistics; information from the IRS Business Master File, and an ongoing survey of Vermont's non-profit cultural organizations. For 1996: Gregory H. Wassall, and Douglas DeNatale, *Arts, Cultural, and Humanities Organizations in the New England Economy*, 1996 (Boston: New England Foundation for the Arts, 1997), various tables.

DEFINITIONS: Using the NCCS IRS Form 990 data extract, total expenditure is the sum of program, fund-raising, management and general expenses, as well as payments to affiliates, plus the following expenses which are deducted from revenues on the Form: expenses incurred while earning rental income, selling assets, staging special events, and selling goods (i.e., cost of goods sold); total revenue is gross receipts from all sources of income with no expense deductions made. In our 1996 report, total spending is defined as the sum of operating expenses, outside fees, and capital expenses; total revenue is defined as the sum of earned income, unearned income, and endowment income. The definitions derived from the IRS data are chosen in order to make spending and revenue amounts comparable between the two sources of data.

⁴⁸As organizations responded to the survey, they were moved either from the 990 filers group or the non-filers non-responders group into the survey responder group. The total number is the same.

In Table 7.1a we report on overall revenues, spending and net asset position. The information in this table shows the state's cultural organizations grew at a healthy pace in the four years since the last cultural inventory was taken, with revenue growth outpacing spending growth. On an annual basis, the number of organizations decreased by 3.8% since the 1996 survey. Total spending is estimated to be \$118.8 million, and total revenue is estimated to be \$152.1 million. In the four-year period, total spending grew by 17.4 percent annually, and total revenue grew by 30.2 percent annually. Net assets, which were not estimated in 1996, are estimated in 2000 to be \$246.8 million.

In Table 7.1b, the same information on revenue, spending and net assets, but on a per organization basis, is presented. This table enables one to get an estimate of the average size of Vermont's cultural organizations. Also, by comparing Tables 7.1a and 7.1b, one can determine how much of the spending and revenue growth was due to a change in the number of organizations, or to growth in or a changing mix of existing organizations. Since the organizational count is down since 1996, the growth percentages in Table 7.1b obviously show that existing organizations grew, on average, at an even faster rate. With no prior data on net assets from the 1996 survey, temporal comparisons cannot be made for this category (but will be in future reports). Like those of other New England states, Vermont's cultural organizations on average had more revenue than spending in 2000.

TABLE 7.1b: CHANGE IN AVERAGE FINANCIAL SIZE OF VERMONT CULTURAL ORGANIZATIONS, 1996-2000 (all data are on a per organization basis)				
YEAR	# OF ORGS.	SPENDING PER ORG.	REVENUE PER ORG.	NET ASSETS PER ORG.
1996	1,588	\$44,157	\$43,343	NA
2000	1,306	\$90,973	\$116,440	\$188,973
ANNUAL % CHANGE	-4.4%	26.5%	42.1%	NA
DATA SOURCES AND DEFINITIONS: See Table 7.1a.				

The period 1996-2000 represented years of exceptional growth in state, regional, and national economies, particularly among Vermont's cultural organizations. It also covered a time when growing stock market wealth led to increased philanthropic activity, and to a healthy growth in state tax revenues. The economic downturn of 2000-2002 and the subsequent period of low growth have led to a reversal in both these trends. It remains to be seen in future reports how Vermont's cultural organizations, which are sensitive to tourism, fared during this period.

More detail on revenue is presented in Table 7.2. In that table, revenue is broken into earned and contributed sources. Contributed income is further broken into that received from the private sector (corporations, foundations, and individuals), and from the public sector (federal, state and local government). Combined private and public contributed income accounted for almost two-thirds of total revenues in 2000. The fact that contributed income accounted for a larger share of total income in 2000 than in 1996 (as in most other New England states) is more likely due to the different mix of organizations whose financial data was captured in 2000 than to changing trends in sources of support, although the late 1990s were years of growth in philanthropy.

TABLE 7.2: REVENUES OF VERMONT CULTURAL ORGANIZATIONS, 2000 (dollar figures in thousands)					
#OF ORGS.	EARNED	CONTRIBUTED		TOTAL	% FROM OUTSIDE VT.
		PRIVATE	GOV'T.		
1,306	\$55,564	\$71,691	\$24,815	\$152,070	17.7%
DATA SOURCES AND DEFINITIONS: See Table 7.1a.					

In Table 7.3, spending is broken into salaries and other expenses. In 2000, salaries accounted for roughly one-third percent of total spending. As in other states, in 1996, salaries and fringe benefits accounted for a slightly larger share of spending. Because the definitions used in each study are not consistent, one cannot determine whether the share of salaries in expenses has fallen or not.⁴⁹

TABLE 7.3: SPENDING BY VERMONT CULTURAL ORGANIZATIONS, 2000 (dollar figures in thousands)			
# OF ORGS.	SALARIES	OTHER EXPENSES	TOTAL SPENDING
1,306	\$38,567	\$80,244	\$118,811
DATA SOURCES AND DEFINITIONS: See Table 7.1a.			

Admissions

In Table 7.4, admissions, both paid and unpaid, are reported. The IRS does not require information on admissions data; thus total paid and unpaid admissions were estimated based on information submitted by the survey organizations.

⁴⁹Information on salaries comes from both the Form 990 and the survey organizations. Because the Internal Revenue Service requests salary data only on the Form 990, for comparability the same information was requested on our survey instrument as well.

TABLE 7.4: ADMISSIONS TO VERMONT CULTURAL ORGANIZATION EVENTS, 2000					
# OF ORGS.	ADMISSIONS		TOTAL	% FROM OUTSIDE VT	
	PAID	UNPAID		PAID	UNPAID
1,306	3,107,353	2,811,199	5,918,552	14.3%	15.5%
DATA SOURCES AND DEFINITIONS: Admissions data are derived from the survey of cultural organizations.					

In 2000, 3.1 million persons paid to attend cultural events in the state. Another 2.8 million attended free events. Combined paid and unpaid admissions equaled 5.9 million.⁵⁰ About 14 percent of persons attending paid events were estimated to have come from out of state; about 16 percent of those attending free events were estimated to be non-residents.

Employment and Volunteer Hours

Information on employment and volunteer hours can be found in Table 7.5. The data in this table was derived from information collected from the survey organizations only; the Form 990 does not require reporting of comprehensive employment data. Based on projections from the survey organizations, we estimate that these 1,306 organizations employed about 5,300 persons. Of these, 3,500 were identified as artists. These numbers include both full-time and part-time workers; no attempt was made to distinguish between the two types of worker.

TABLE 7.5: EMPLOYMENT AND VOLUNTEER HOURS, VERMONT CULTURAL ORGANIZATIONS, 2000			
# OF ORGS.	TOTAL EMPLOYMENT	ARTIST EMPLOYMENT	VOLUNTEERS
1,306	5,289	3,480	21,108
DATA SOURCES AND DEFINITIONS: Employment and volunteer data are derived from the survey of cultural organizations.			

The number of volunteers donating their time to cultural organizations was estimated to be about 21,100. Of these, about 25 percent were identified as artists.

⁵⁰Though this number may seem unduly large – it represents over nine times the state’s population – it should be kept in mind that the same person can attend numerous cultural events during the course of a year.

State and Federal Taxes Collected

Although non-profit organizations do not pay taxes, their activities create tax revenues. In the survey questionnaire, information was requested on the amount of employer social security contributions collected and/or paid, and the amount of state sales taxes collected and/or paid. The Form 990 also requests the amount of employer contributions to the payroll tax. Although the goods and services directly provided by these organizations are not taxable, state sales taxes would be levied primarily on their concession sales.

Overall, the state's cultural organizations reported collecting \$2.8 million in federal payroll taxes and \$0.1 million in state sales taxes.⁵¹

TABLE 7.6: STATE AND FEDERAL TAXES COLLECTED OR WITHHELD BY VERMONT CULTURAL ORGANIZATIONS, 2000 (dollar figures in thousands)			
# OF ORGS.	STATE SALES TAXES	FEDERAL PAYROLL TAXES	TOTAL TAXES
1,306	\$138	\$2,810	\$2,948
DATA SOURCES AND DEFINITIONS: Tax data are derived from the survey of cultural organizations. State taxes reported are sales taxes collected. Federal taxes reported are the employer contribution to the payroll tax.			

Spending, Revenue and Asset Breakdown by Type of Cultural Organization

In Table 7.7 following this section, the major spending and revenue categories, as well as net assets, are broken into the twelve organizational categories defined in the regional summary chapter. A count of each type of organization in the state is shown in this table as well. As with Rhode Island, no organization type commands more than 30 percent of the total. Like the other upper tier states, those represented with the greatest numbers are performing arts organizations, libraries, and historical societies. Museums and performing arts organizations are roughly equal in terms of total spending and revenue. By far, museums possess the greatest amount of assets in value terms. Museums and performing arts organizations receive the greatest amount of private contributions, while libraries and historical societies receive the greatest amount of contributed income from governments.

Economic Impact of Cultural Organization Spending

Estimating total economic impact entails making an estimate of the additional

⁵¹Although these numbers are somewhat lower than in 1996, in the earlier year we used a more comprehensive definition of taxes. Federal taxes included withholding on income taxes as well as employee contributions to the payroll tax. State taxes included income tax withholding as well as sales taxes collected.

indirect and induced spending caused by initial spending by the state's cultural organizations, and adding that amount to the initial spending.⁵² Economists argue that only income brought into the region has an economic impact; income that cultural organizations receive from state residents would have been spent inside the state (on other entertainment, perhaps) if these cultural organizations did not exist. Thus, conservatively, these "multiplier effects" of cultural organization spending should be applied only to that percentage of spending financed by income received from out-of-state sources.

It was noted in the section on income that 17.7 percent of total income received by Vermont's cultural organizations came from out-of-state sources. Using regional input-output modeling is it possible to estimate the additional indirect and induced spending that this export income creates.⁵³ Vermont's cultural organizations are responsible for indirect and induced re-spending of \$37,406,000. The total economic impact of the state's cultural organizations is thus estimated at \$156,217,000.

Conclusion

This chapter shows that Vermont's cultural organizations enjoyed considerable financial growth since the 1996 study, growing at a very substantial rate. Although the organizations identified in both studies are not exact matches, there is a sufficient common core group in both years to enable us to conclude organizations represented in both databases prospered during the interim.

As noted above, the years since 2000 may not have been as beneficent. As more recent information becomes available, we will update the findings in this report.

⁵² The indirect impact refers to further spending by local firms initiated by the direct spending. The induced impact refers to spending by households out of additional income created by the direct and indirect spending.

⁵³ A number of organizations have developed regional input-output models. In this study we use a system developed by The Bureau of Economic Analysis of the Commerce Department, called RIMS II. It generates regional industrial multipliers, which are used to estimate the indirect and induced spending by the state's cultural organizations.

TABLE 2.7: SPENDING, INCOME, AND NET ASSETS OF VERMONT CULTURAL ORGANIZATIONS, BY ORGANIZATION TYPE, 2000
(in dollars)

ORG. TYPE	# OF ORGS.	PRIVATE CONTRIB.	GOVT. CONTRIB.	OTHER REVENUE	TOTAL REVENUE	TOTAL SPENDING	SALARIES	OTHER SPENDING	NET ASSETS
Ethnic	7	\$58,136	\$19,610	\$46,335	\$124,063	\$124,676	\$41,132	\$83,567	\$118,175
Fair	75	2,241,041	260,342	3,160,318	5,642,135	5,503,685	1,731,533	3,770,221	11,962,155
Historical	197	7,027,174	5,021,575	2,683,324	14,789,486	10,298,451	3,120,254	7,170,377	17,654,257
Humanities	34	7,700,738	936,707	5,132,434	13,756,527	10,627,175	4,677,829	5,992,467	22,690,975
Library	229	7,167,488	7,099,478	2,798,025	17,147,166	12,099,304	4,158,804	7,948,619	35,315,974
Media	45	7,224,354	2,717,162	3,004,555	12,972,897	12,517,433	5,087,139	7,466,242	8,572,539
Multi	93	4,753,831	1,857,049	3,807,723	10,420,043	6,723,419	2,247,832	4,477,882	16,088,546
Museum	75	16,133,754	2,006,944	11,729,633	29,833,800	20,355,975	6,826,797	13,536,869	93,374,937
Performing	364	14,155,274	2,034,657	14,801,741	30,920,940	24,719,941	6,572,444	18,096,520	28,011,120
School	32	488,252	16,619	1,745,055	2,235,327	2,247,585	640,578	1,603,881	1,616,763
Service	74	2,192,112	2,570,641	2,064,362	6,845,870	6,676,318	2,081,475	4,591,833	3,808,648
Visual	81	2,549,185	273,885	4,590,964	7,382,223	6,917,089	1,381,384	5,505,370	7,584,414
TOTAL	1306	71,691,338	24,814,670	55,564,470	152,070,477	118,811,051	38,567,202	80,243,849	246,798,502

SOURCE: See tables above.

Appendix A: Research Methodology

Since the publication of “Arts, Cultural, and Humanities Organizations in the New England Economy, 1996,” there have been significant advances in our understanding of the importance of the cultural sector in the economic life of New England. The interest raised by our 1997 study, which relied for the first time on non-profit organization data from the Internal Revenue Service, helped stimulate the establishment of the Creative Economy Initiative by the New England Council, in partnership with NEFA and the six New England state arts agencies. In its June 2000 report, “The Creative Economy Initiative: The Role of Arts and Culture in New England’s Economic Competitiveness,” prepared by Mt. Auburn Associates, the Council found that cultural enterprises in the region represented 3.5 percent of New England’s total job base.

Described in the report as the “Creative Cluster,” the set of industries within the cultural realm include both for-profit and non-profit enterprises. For the 2000 report, Mt. Auburn drew upon the 1997 U.S. Economic Census to capture employment and wages among commercial enterprises, and on the NEFA report for similar information in the non-profit sector. Although the Economic Census breaks out data for tax-exempt employers, the Creative Economy report used our previous report for information on the non-profit side because it captured a fuller picture of tax-exempt activities that are embedded within larger institutions such as municipal governments and other non-profit institutions; as well as non-profit economic activity that is voluntary and non-institutional in nature.

Because the conception of the cultural cluster as it has been outlined in the 2000 Creative Economy Report effectively captures the reality of cultural economic activities in the region and elsewhere in the U.S., this report and succeeding reports should be read as a partial update of information on the Creative Cluster. This report examines only the not-for-profit sector of the cluster, but all of the activities described in this report are contained within the cluster as a whole. Because of the particular characteristics of the not-for-profit sector, and the particular relationship of these enterprises to philanthropic and public funders, there is continued value in improving our understanding of this sector and its work.

Definition and Identification of the Sector

The embedded nature of much cultural non-profit activity has been a matter of significant discussion and general agreement among researchers, although no universally accepted formal definition of the sector as a whole has yet emerged.⁵⁴

⁵⁴For example, a 1996 study commissioned by the National Endowment for the Arts listed the following as its first criterion for consideration as a non-profit arts organization: “The organization must be non-profit and open to the public. It must either be incorporated as a 501(c)(3) charitable

While we did not formally articulate our own criteria in the 1996 study, those employed in the current study remain consistent. We consider cultural organizations to belong to the non-profit sector of the cultural cluster if the central activities of the organization are demonstrably not-for-profit and cultural in nature. We take the following criteria to be indicators of this status:

1. The organization is cultural in nature if it belongs to one of the organization categories outlined on page 27. While these categories were formulated prior to the Creative Economy report, these are largely consistent with the set of NAICS codes that comprise the definition of the Creative Cluster in that subsequent report.⁵⁵
2. The organization is non-profit in nature if it meets one of the following criteria:
 - It has been formally incorporated as a tax-exempt organization under the various provisions of the Internal Revenue Code, including 501(c)3; 501(c)4; 501(cc)6; 501(c)7; 501(c)8; and 501(c)10.

organization or be eligible to be so incorporated; or, it must be affiliated with another nonprofit organization or educational institution and pursue a mission similar to that of a 501(c)(3)” (Kaple *et al.*, “Comparing Sample Frames for Research on Arts Organizations: Results of a Study in Three Metropolitan Areas,” Princeton, NJ: Center for Arts and Cultural Policy Studies, Princeton University, 1996, p. 6.) This broad definition of non-profit is common. In this case, however, the Kaple study excludes organizations without at least one paid employee or equivalent, and considers visual arts galleries within commercial organizations to be non-profit in nature. Other studies employ related but distinct definitions of the non-profit cultural sector as a whole, each with its own nuances. As in 1997, this study goes beyond arts organizations to include non-arts cultural organizations, consistent with the Creative Economy definition of the Creative Cluster.

⁵⁵ The primary five- and six-digit NAICS codes included in the Creative Cluster definition for the Creative Economy report are the following: 323111, 323112, 323113, 325992, 333315, 334612, 337212, 339942, 339992, 44313, 45114, 45392, 51211, 51212, 51213, 51219, 51221, 51222, 51223, 51224, 51229, 51311, 51312, 51321, 51322, 51412, 54131, 54141, 54142, 54143, 54149, 54181, 54185, 54192, 61161, 71111, 71112, 71113, 71119, 71131, 71132, 71141, 71211, 71212, 71213. The definition employed in the 2000 report may be subject to future modification by the Creative Economy Council. Because some of these industries delineated by these codes are entirely commercial in nature, they are not relevant to this report. In general, the categories included in this report map onto the NAICS codes as follows: *Fair* (71131, 71132); *Historical* (71212); *Humanities* (71131, 71132); *Library* (51412); *Media* (51211, 51212, 51213, 51219, 51221, 51222, 51223, 51224, 51229, 51311, 51312, 51321, 51322); *Multidisciplinary* (71131, 71132); *Museum* (71211, 71213); *Performing* (71111, 71112, 71113, 71119, 71131, 71132); *School* (61161); *Visual* (54131, 54141, 54142, 54143, 54149, 54192). However, because this report is based on the organization level data found in the New England Cultural Database, it includes organizations that are entirely cultural in nature, but which could be institutionally classified within other NAICS categories. A prime example are the organizations categorized as Service non-profits, for which there are no corresponding overarching NAICS categories that are entirely cultural in nature.

- It is a distinct organizational entity devoted to cultural activities that is embedded within a larger tax-exempt organization. Examples of such entities would include an arts center within a university; a town library or museum within a municipal government; or a gallery with its own administration within a charitable foundation.
- An unincorporated organization that claims exempt status through a formally incorporated tax-exempt organization that serves as its fiscal agent.
- An unincorporated all-volunteer organization that could qualify for tax-exempt status if the level of its economic activity warranted such application. Examples of such an organization might be a volunteer historical society with regular activity that had not applied for formal exempt status.

It will be obvious from this listing that in cases where information about a particular organization is limited, it has been impossible to avoid a degree of subjectivity in determining whether a particular enterprise is non-profit in nature. Where information has been limited, we have made every effort to err on the side of conservatism. As the primary source for the universe of organizations studied in this report is further developed, we will detect and correct any errors resulting from misclassification in future reports.

The New England Cultural Database (NECD) is the primary source for identifying the universe of non-profit cultural organizations discussed in this report. A separate appendix describes the nature of the database as well as its history and projected development. NEFA's previous regional non-profit economic impact studies have drawn upon the individual databases of the New England state arts agencies in order to identify the set of New England non-profit arts organizations for study. Our 1997 report continued this practice, but also included tax-exempt cultural organizations identified in the Internal Revenue Service's Business Master file that were not present in state agency databases. As we noted, the universe of organizations studied in 1997 could not be considered strictly comparable to the universe of organizations studied in previous studies. Nor can the universe of organizations studied in this report be considered strictly comparable to the 1996 report. This has been an unfortunate, but necessary consequence of the limited and imperfect sources of information available for the field – which the New England Cultural Database seeks to correct going forward.

Ideally, for this study we would have identified every non-profit cultural organization in the region that met the criteria listed above. We can state with a good degree of certainty that we have succeeded in identifying a far higher percentage of all organizations than has previously been achieved. For this reason, it is fair to assume that this report captures non-profit cultural activity in the region more accurately than any prior report. In our 1997 report, we

identified 9,841 non-profit cultural organizations in the region. This report identifies 13,045 such organizations. This should not be taken as an indication that more than three thousand organizations were born between 1996 and 2000. Rather, it indicates that our 1997 study missed many organizations – and that previous studies missed even more.

For this reason, it is still difficult to discuss trends among non-profit cultural organizations with any degree of accuracy. In several state updates to the 1997 study, Professor Wassall provided a degree of comparability by restricting the universe to the same cohort of organizations included in the 1996 study, and basing his projections on IRS Business Master File data alone. Beginning with this study, however, our aim is to provide a sufficient level of comparability from study to study to allow for valid comparisons and trend analyses. As discussed in a separate appendix, this depends upon an ongoing system of yearly analyses in conjunction with the sustained development of the regional database.

As we develop the database and systematically fill in the gaps in our current knowledge, we can anticipate an even larger number of non-profit organizations than captured here. For example, among the large categories of organization types, we are aware that our measurement of the economic impact of libraries is inadequate, because the database does not yet adequately reflect the existence of municipal libraries. Within the next two years, we anticipate completing a systematic examination of secondary data sources to a degree that will enable us to claim adequate representation in the database of all types of cultural institutions.

As we accomplish this goal, we may subsequently revise the findings of this report as necessary to allow for comparison and trends analysis, as well as to address any potential issues of misclassification noted above. The implications of this do not invalidate the findings of this report in any way. While we do not yet claim comprehensiveness for this study, we know that future findings of cultural economic impact will by necessity require a revision upward because they will be based on a more adequate identification of cultural activity in the region that will more than offset any downward revision resulting from classification issues.

Data Sources

As in our prior studies, we depended upon a survey methodology to measure the size of economic activity within the sector. Professor Wassall has based his analysis upon a representative sample derived from direct survey returns. As in the past, we have made every effort to ensure that this sample adequately represents organizations of every size. Beginning with this study, our efforts in this regard have been significantly advanced by new access to secondary data.

As an essential element of our work in developing the New England Cultural Database (NECD), we have engaged in an ongoing partnership with the National Assembly of State Arts Agencies (NASAA) and the Urban Institute's National Center for Charitable Statistics (NCCS) in relation to their joint effort to build the Unified Database of Arts Organizations (UDAO). Through this partnership, information from the NECD is being reciprocally shared with the UDAO. For this and future New England non-profit economic impact analysis, NCCS has also graciously furnished information from the *Digitized Database of Scanned IRS Forms 990 Images*, a joint project of NCCS and Philanthropic Research, Inc./GuideStar. This has allowed the analysis of aggregate data on detailed revenue and spending variables for 2301 tax-exempt cultural organizations beyond those organizations responding to our direct survey. The significance of this newly available data for this study cannot be underestimated. By employing this information, Professor Wassall has been able to draw upon a much more comprehensive sample. Together with our survey data, we have detailed information for 22.36 percent of the entire universe of organizations – compared with 6.96 percent in the 1997 study. We can also claim nearly 100 percent representation for independent tax-exempt organizations with incomes greater than \$25,000.

Development and Administration of Survey

Because the digitized IRS Form 990 returns constitute an invaluable new source of information on this sector, it was necessary to revise the survey form employed in previous studies to make it as consistent as possible with Form 990 revenue and expense variables. This required achieving a balance between the significant level of financial detail available on the Form 990; the less-detailed but still considerable level of detail available on the Form 990-EZ; and the amount of information that hard-pressed non-profit cultural organizations might be reasonably expected to supply. Our goal was to produce a survey that can render sufficient detail for analysis, and still be administered on an annual basis without overwhelming small cultural organizations. We hope that we have achieved this in general, but will likely revise our approach further with the input of constituent organizations.

We began with the survey form used in the 1996 study and adjusted the financial variables requested where necessary so they could be constituted from Form 990 and 990-EZ data. In some cases, the resulting variable involved a loss of detail that was otherwise available in either the Form 990 or 990-EZ. In these cases, the more detailed Form 990 or 990-EZ variables were summed to generate the comparable data for a variable collected on the survey form. Appendix C details the relationship between our survey form and Form 990/990EZ. We also retained and modified a number of questions relating to

employment, volunteers, and attendance, for which there is no comparable Form 990 information. The resulting survey form, which is found in Appendix D of this report, is considerably shorter than surveys employed in 1996 and previously, but it retains a sufficient core set of financial data to allow future analyses of financial and labor trends in the sector.

For the 1996 survey, we distributed a paper survey by mail. Returned surveys were scanned and interpreted using optical character recognition with visual verification using Teleform™ forms processing software. For the current and future surveys, primary access to the survey form was via the World Wide Web, through a database-backed website created specifically for this purpose, with a paper version of the form available upon request or through a downloadable PDF form available on the website.

This web-centric strategy has become more justified since 1997 because of the greatly increased number of cultural organizations, large and small, that have access to the Web through a variety of means. It should be noted that the cohort of organizations that have access *to* the web is distinct from cultural organizations *with* websites – a far smaller number. The digital divide continues to be very real among smaller cultural organizations. While we recognized that a strategy that employed mailed paper forms would certainly be the most inclusive, we also felt that it was likely to be prohibitively expensive for an annual survey that seeks to be both comprehensive and cost-effective. For this reason, we decided to employ a mixed strategy that employed both mail and electronic communication.

We contacted organizations by email if we had a valid email contact for them in the New England Cultural Database. The customized email message gave an embedded URL link to the website, which retrieved the organization's survey form pre-filled with information from the database. These organizations were periodically reminded via email during the survey period if they had not submitted an online or paper survey. All of the remaining organizations received a postcard mailing through U.S. mail, with instructions on how to access the survey online or request a paper form via telephone or mail.

By offering the survey online, we were able to build in a number of data-entry verification routines, as well as pre-fill the survey forms for Form 990/990EZ filers with data from the 2000 digitized IRS data available through NCCS. This strategy produced much cleaner organization-level data and required a far-less labor-intensive process of data processing. At the same time, the availability of paper forms available upon request provided organizations without access to online technology a means of submitting surveys by hand. The data from these returned paper surveys was then entered via the web into the online survey

database. In the end, we found this method to be less labor-intensive than the process of scanning and verification used for the 1996 survey.

It should be noted that we distributed emails and postcards to both non-profit and commercial organizations (including artist groups) in the database for the current survey. While the NECD currently does not contain a sufficient number of commercial cultural enterprises to support regional analysis, we hoped to ascertain if there was any level of receptivity among commercial enterprises for regional data collection of this sort. For these organizations, we requested contact and descriptive information and a small number of financial and employee variables: total revenue, percentage of out-of-state revenue, salaries, payroll taxes, sales taxes, and number of employees. As we fully anticipated, only an insignificant number of the commercial organizations and artist groups we contacted were willing to provide any level of financial or staffing data, despite the assurance of individual financial privacy that has always been an attribute of these surveys. For the purposes of analysis, commercial organizations and artist groups in the NECD were then excluded from the universe of organizations, and the small number of returned surveys was discarded from the sample.

The direct survey yielded a total of 623 completed surveys from non-profit cultural organizations. This number is slightly smaller than the total number of 685 returned surveys for the 1996 survey, and represents a smaller percentage of the universe of non-profit cultural organizations, given the larger number of organizations identified for this survey. However, when this number is added to the 2301 non-responders for whom we have detailed Form 990 data, the resulting sample is significantly higher – 22.36% of the total. As we increase the number of organizations in the NECD for which we have email contacts, improve strategies for mail contact, and develop further incentives for participation among the state arts agency constituents, we anticipate an increasing percentage of respondents in future annual surveys.

Appendix B: New England Cultural Database

This report is built upon information contained in the New England Cultural Database, a joint project of the New England Foundation for the Arts, the Connecticut Commission on the Arts, the Maine Arts Commission, the Massachusetts Cultural Council, the New Hampshire State Council on the Arts, the Rhode Island State Council on the Arts, and the Vermont Arts Council. The New England Cultural Database is intended to be a comprehensive data resource on cultural organizations and artists in the region that can serve a range of purposes.

History

The New England Cultural Database has its roots in NEFA's past economic impact and technology development work. A key element of this history has been the ongoing involvement of Gregory Wassall, Professor of Economics at Northeastern University, who authored the first study on the economic impact of the arts in 1978, and has provided the analysis for every NEFA economic impact study since that time. For the 1978 study, it was necessary to develop a list of individual arts organizations to be surveyed. As with this study, the measure of total economic impact depended on making a projection of total financial activity for the entire list of organizations based on information received in survey responses. In order to measure the total economic impact of cultural organizations in the region, it would be necessary to identify every individual cultural organization.

In 1978, the best sources of information available were the organization lists compiled by each of the six state arts agencies as a result of their grant making and communications activities. These constituent lists were compiled by Professor Wassall and his graduate students and used as the basis for the 1978 study. They worked with the state arts agencies to estimate the relative financial size of each organization on the list, and made projections for these organizations following the data received by responding organizations in their respective cohorts. The results were the most comprehensive possible at the time, even as the shortcomings of the method were evident and acknowledged.

Succeeding economic impact studies benefited from improvements in the information systems of each individual state agency. By the time of the 1988 regional economic impact study, each of the New England state arts agencies were using the Hobie database system developed by Henry Bromelkamp and the Bromelkamp Company. This was a true relational database that linked all transactions to a primary constituent list table. The Hobie system captured any organization that had an encounter with the state arts agency, either through a grants request, an information request, or through some contracted service. This

greatly facilitated the compilation of a regional list of organizations upon which to build an economic analysis, with a number of significant limitations.

The most major limitation of these information resources was the fact that they only captured organizations revealed through transactions. Any cultural organization that did not actively seek out assistance or interaction with the state arts agency would not be captured at all. For the purposes of economic impact analysis based on this method, such an organization would not exist at all. In addition, because each state arts agency has its own set of grants programs and its own criteria for eligibility, the set of organizations found in one agency database is not entirely comparable with another. For example, the funding mission of the Massachusetts Cultural Council has historically extended to cultural organizations with a science-based mission. For the other state arts agencies, far fewer science-oriented cultural organizations (for example, zoos or nature centers) appear in their agency database.

A further limitation of state arts agency databases is the unavoidable tendency to generate duplicate or erroneous information over time. This is by no means a function of the quality of data entry and upkeep by agency staff, which has reached a level of significant professionalism. A serious data issue for non-profit cultural organization information over the long-term is the “embedded” status of many cultural entities. A single organization may be variously identified over time within its host institution. Independent cultural organizations may likewise change addresses and names multiple times over the course of their history. Because the state arts agency databases are transactional in nature, the data they contain is consistently accurate in relation to specific business transactions over the near term; but given the twenty-plus year history of transactions, it is possible for multiple entries with various names and various addresses to be generated for the same organization. It is also possible that an entry for a deceased organization will persist without an indication that the organization no longer exists.

Past economic impact studies took these necessary tendencies into account wherever possible, and made every effort to verify data given the limitations of time and available resources. For the purposes of generating a measure of overall economic impact, the methodology of previous studies was sufficiently conservative to adjust to these conditions and make a valid claim for accuracy. If anything, given the limitations of data resources meant that the results of previous studies seriously under-measured the size of the non-profit cultural sector in the region.

This work entered a new phase in the mid-1990s, with the establishment of the Connections Fund at the New England Foundation for the Arts, which focused on improving practices in documentation and technology use, under the direction of

Dr. Douglas DeNatale. Soon after the program was established, DeNatale and Wassall began to design a major update to the regional economic impact work. The resulting 1996 economic impact study went beyond the data resource of the state arts agency databases for the first time, and augmented this information with data contained in the publicly available Internal Revenue Service Exempt Organization Business Master Files. This data resource provided limited information on all organizations in the region with formal exempt status. While the inclusion of this newly available data resource made it possible to develop a far more comprehensive list of non-profit cultural organizations, its use also presented a new set of challenges and limitations.

The first of these was the identification of cultural organizations among the master list of non-profit organizations. While the IRS had been working with the Urban Institute's National Center for Charitable Statistics to improve the organization type coding of exempt organizations, using the NCCS National Taxonomy of Exempt Entities (NTEE) coding system, there were still discrepancies that required scanning the entire list. Second, the organizations in the IRS database had to be matched to the organizations in the list of organizations derived from the state agency databases – an extremely challenging task given the organization name issues described above.

The 1996 study had its data flaws, as did earlier studies, but it could claim to capture the most comprehensive picture to date of the non-profit cultural sector in New England. With the limited set of financial information provided at that time in the IRS database, it was possible to base projections of overall economic impact based on a far more accurate grouping of financial cohorts. The results were impressive enough to stimulate significant new interest in the region in understanding the role and value of the cultural economic contribution.

The experience gained by the study also provided a rationale and framework for constructing an ongoing data resource that was better suited to accurate long-term research on the sector. Because the list of cultural organizations for each major update of the regional economic impact analysis had to be constructed from scratch each time, and because the universe of organizations captured in the state arts agency databases grew broader over time, no possible claim for consistency from one study to the next could be made. In short, it was impossible to speak of overall trends in the sector, because it was impossible to claim that the universe of organizations captured in 1978 using 1978 methods was comparable to the 1988 universe and 1988 methodology, or to the 1996 universe and 1996 methodology. It was clear that another type of database was necessary to support such longitudinal analysis with any hope of consistency.

Building a New Regional Database

The New England Cultural Database (NECD) aims to address these issues and limitations by shifting from a transactionally derived/data-collating model to a sustained program of annual data collection built upon a database system in which cultural organizations are proactively identified and consistently tracked. Formal work on the database, which began in December 2001, has focused on the non-profit sector during the initial stage of development.⁵⁶ Over the next several years, the scope of the database will expand to include commercial enterprises and individual artists within the cultural economic cluster.

In the first stage of development, our initial task has been to identify a consistent core of non-profit organizations from existing sources, eliminate duplication, properly identify embedded relationships between organizations, and create a system for linking financial and descriptive data from a variety of sources. During this phase, we have spent considerable effort in verifying and reconciling data from all of the sources previously employed in our economic impact work. To this, we built a data-processing software program that is used to test the individual entries in each dataset against a growing master list of organizations. This process has included the development of a formal syntax for organization naming and matching of names and addresses using the Soundex coding system. The process developed is entirely reiterative, to allow for the ongoing testing of entities in the master list as new information from other data sources is processed. Using the system developed, we were able to identify and reconcile a total of more than 2100 organization duplicates within the first round of data sources (state agency and NEFA databases; NASAA/NCCS Unified Database of Arts Organizations; IRS Business Master files). The resulting cleaned dataset has contains a current core of 17,735 organizations, of which 13,045 active organizations identified as non-profit has been the universe of organizations examined in the current study.

The structure of the regional database allows us to link relevant datasets to the master list of organizations, and to accommodate a wide range of data. For each of the datasets processed to date, we have also created a linked series of data tables containing financial and descriptive information found in those sources. In the case of state arts agency datasets, we have processed grants data covering the following years:

Connecticut Arts Commission: 1987 - 2002

Maine Arts Commission: 1980 - 2002

Massachusetts Cultural Council: 1989 – 2002

New England Foundation for the Arts: 1979 - 2002

⁵⁶ Commercial organizations encountered in the course of this phase of development have been added to the database, but do not yet represent the total number of commercial enterprises to any significant degree.

New Hampshire State Council on the Arts: 1990 - 2002
Rhode Island State Council on the Arts: 1982- 2002
Vermont Arts Council: 1985 – 2002

In addition, with the assistance of the National Center for Charitable Statistics, we have also processed the NCCS Core Files with key variables from the IRS Return Transaction and Statistics of Income files covering the years 1990-2000. For the current study, NCCS has also graciously provided access to the Digitized Form 990 data for the New England region through a data exchange agreement. Finally, the data collected through our electronic survey for this study comprises another dataset developed in this phase of database development.

The current study should be seen therefore as drawing upon a subset of information contained in the NECD. As the database is expanded to link a broader range of information, it will support a broader range of uses as well. During the first phase of development, we have identified a number of sector-specific datasets that will be useful for ensuring that the database is as comprehensive as possible within current resource and technological limits. During the second phase of development, we will work with a board of advisors to identify under-represented sectors in the database and prioritize the processing of relevant datasets in order to systematically and strategically fill in gaps.

In connection to our annual economic data collection work, we are also instituting an annual process for systematically testing and updating existing entries in the organization master list. In the summer of 2003, we will begin this work with a new round of data collection in the form of an institutional census intended to reach rural areas of the region in particular. Through a coordinated program of annual data collection and verification, we will be able to more effectively track the status of individual cultural organizations and ensure that the data from one annual study to the next is always comparable.

While the current database is considerable larger than any other data resource yet compiled on cultural organizations within the region, it will almost certainly take several years before we have achieved a sufficient level of inclusiveness to make a reasonable claim for comprehensiveness. As the development process continues, we will make any necessary adjustments to the findings of previous reports in order to ensure comparability of findings. It can be reasonably expected that these adjustments will reflect a larger universe of cultural organizations as these are identified.

We also intend to provide responsible access to this information by the project partners, researchers, and the general public, while ensuring that financial information provided by individual organizations for this and future studies is

protected in accordance with the privacy policies established through our data collection process. In conjunction with our institutional census this summer, we will begin providing web-based access to public information contained in the database. This access will be tiered to allow public access to descriptive information on individual organizations and aggregate financial information on sectors of the creative industry.

Information on database access will be forthcoming on the New England Foundation for the Arts website (www.nefa.org).

Appendix C: Relationship of Survey Form and IRS Form 990/990EZ

Survey Variable	1999 Form 990 Line	1999 Form 990EZ Line
Fiscal Year for data submitted	A	A
Name of Organization	C	C
Street Address	C	C
Mailing Address		
Employer ID Number	D	D
Website		
Phone	E	E
Fax		
Director		
Director Title		
Contact		
Contact Title		
Contact Email		
<i>Total Contributions, gifts, grants, and Similar Amounts Received</i>	1d	1
<i>Direct Public Support</i>	1a	(contained in 1)
Contributions from Private Individuals	(contained in 1a)	(contained in 1)
Contributions from Private Foundations	(contained in 1a)	(contained in 1)
Contributions from Business/Corporations	(contained in 1a)	(contained in 1)
Contributions from Federated Fundraising Agencies or from Parent Organization	1b	(contained in 1)
<i>Government Contributions (grants)</i>	1c	(contained in 1)
Grants and Contributions from U.S. Federal Government	(contained in 1c)	(contained in 1)
Grants and contributions from State Government	(contained in 1c)	(contained in 1)
Grants and contributions from Local Government	(contained in 1c)	(contained in 1)
<i>Program Service Revenue including government fees and contracts</i>	2	2
Revenue from Program Services (not including ticket sales)	(contained in 2)	(contained in 2)
Revenue from Ticket Sales, Admissions, Subscription Sales	(contained in 2)	(contained in 2)
Profit/Loss from Sales of Inventory	10c	7c
Membership Dues and Assessments	3	3
Investment Income	4 + 5 + 7 + 8	4
Profit/Loss from Special Events and Activities	9	6c
Other Revenue	6 + 11	8
TOTAL REVENUE	12	9
Estimated Percentage of Revenue from Outside State		

Survey Variable	1999 Form 990 Line	1999 Form 990EZ Line
Number of Admissions - Paid		
Number of Admissions - Unpaid		
Estimated % of Paid Admissions from Outside State		
Estimated % of Unpaid Admissions from Outside State		
Excess/Deficit for the Year	18	18
Net Assets/Fund Balances at Beginning of Year	19	19
Other changes in net assets or fund balances	20	20
Cash, Savings, and Investments	45 + 46	22b
Land and Buildings	58	23b
Liabilities	66	26b
Salaries, Other Compensation, and Employee Benefits	25 + 26 + 27 + 28	12
Amount of Payroll Taxes Paid	29	
Professional Fees and Other Payments to Independent Contractors	30 + 31 + 32	13
Grants and Similar Amounts Paid	22 + 23 + 24	10 + 11
Occupancy, Rent, Utilities, and Maintenance	36 + 37	14
Printing, Publications, Postage, and Shipping	35 + 38	15
Other Expenses:	33 + 34 + 39 + 40 + 41 + 42 + 43	16
TOTAL EXPENSES	17	17
Sales Taxes Collected		
Total Number of Employees		
Number of Artists Employed		
Professional Volunteers		
Artist Volunteers		
Other Volunteers		
Purpose of Organization		

Appendix D: Online Survey Form

New England Cultural Economic Impact Study

Survey Form

TIP: Click on any label to get additional information about the data requested.
 If you are a commercial organization or an artist group, click here for an abbreviated version of this form: [Commercial/Artist Group Form](#)

Please note: only enter tax ID number if you are a non-profit organization.

Organization Name:

Street Address:			Postal Address (if different):		
<input type="text"/>			<input type="text"/>		
<input type="text"/>			<input type="text"/>		
Town	State	Zipcode	Town	State	Zipcode
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Employer ID # (Fed. Tax ID #):	World Wide Web URL:
<input type="text"/>	http:// <input type="text"/>
Telephone Number:	Fax Number:
<input type="text"/>	<input type="text"/>

INCOME

Contributions from Private Individuals:	<input type="text"/>
Contributions from Private Foundations:	<input type="text"/>
Contributions from Business/Corporations:	<input type="text"/>
Contributions from Federated Fundraising Agencies or from Parent Organization:	<input type="text"/>
Grants and Contributions from U.S. Federal Government:	<input type="text"/>
Grants and contributions from State Government:	<input type="text"/>
Grants and contributions from Local Government:	<input type="text"/>
Revenue from Program Services (not including ticket sales - see below):	<input type="text"/>
Revenue from Ticket Sales, Admissions, Subscription Sales:	<input type="text"/>
Profit/Loss from Sales of Inventory:	<input type="text"/>
Membership Dues and Assessments:	<input type="text"/>
Investment Income:	<input type="text"/>
Profit/Loss from Special Events and Activities:	<input type="text"/>
Other Revenue:	<input type="text"/>
TOTAL REVENUE:	<input type="text"/>
ESTIMATED PERCENTAGE OF REVENUE FROM OUTSIDE STATE:	<input type="text"/>

Figure 1: Online Survey Form – (top)

EXPENSES		
Salaries, Other Compensation, and Employee Benefits:	<input style="width: 100%;" type="text"/>	
Amount of Payroll Taxes Paid:	<input style="width: 100%;" type="text"/>	
Professional Fees and Other Payments to Independent Contractors:	<input style="width: 100%;" type="text"/>	
Grants and Similar Amounts Paid:	<input style="width: 100%;" type="text"/>	
Occupancy, Rent, Utilities, and Maintenance:	<input style="width: 100%;" type="text"/>	
Printing, Publications, Postage, and Shipping:	<input style="width: 100%;" type="text"/>	
Other Expenses:	<input style="width: 100%;" type="text"/>	
TOTAL EXPENSES:	<input style="width: 100%;" type="text"/>	
EMPLOYEES		
Total Number of Employees:	<input style="width: 100%;" type="text"/>	
Number of Artist or Mission-Related Employees:	<input style="width: 100%;" type="text"/>	
ADMISSIONS		
	Paid	Unpaid
Number of Admissions:	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>
Estimated % from Outside State:	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>
NET ASSETS		
Excess/Deficit for the Year:	<input style="width: 100%;" type="text"/>	
Net Assets/Fund Balances at Beginning of Year:	<input style="width: 100%;" type="text"/>	
Other changes in net assets or fund balances:	<input style="width: 100%;" type="text"/>	
Cash, Savings, and Investments:	<input style="width: 100%;" type="text"/>	
Land and Buildings:	<input style="width: 100%;" type="text"/>	
Liabilities:	<input style="width: 100%;" type="text"/>	
VOLUNTEERS		
Professional Volunteers:	<input style="width: 100%;" type="text"/>	
Artist or Mission-Related Volunteers:	<input style="width: 100%;" type="text"/>	
Other Volunteers:	<input style="width: 100%;" type="text"/>	
PURPOSE OF ORGANIZATION		
Please describe the primary purpose of your organization:		
<div style="border: 1px solid #ccc; min-height: 100px; width: 100%;"></div>		
<input style="width: 40px;" type="button" value="Submit"/> <input style="width: 40px;" type="button" value="Reset"/>		

Figure 2: Online Survey Form – (bottom)